

**BOROUGH OF PAULSBORO  
REPORT OF AUDIT  
YEAR ENDED DECEMBER 31, 2011**

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**PART I**  
**REPORT ON AUDIT OF FINANCIAL STATEMENTS**  
**AND SUPPLEMENTARY DATA**  
**YEAR ENDED DECEMBER 31, 2011**

# PETRONI & ASSOCIATES LLC

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## INDEPENDENT AUDITOR'S REPORT

Honorable Mayor and Members  
of the Borough Council  
Borough of Paulsboro  
1211 Delaware Street  
Paulsboro, New Jersey 08066

We have audited the accompanying balance sheets – regulatory basis of the various funds and account groups of the Borough of Paulsboro as of December 31, 2011 and 2010, the related statements of operations and changes in fund balance – regulatory basis for the year then ended, and the related statement of revenues – regulatory basis and statement of expenditures – regulatory basis of the various funds, as listed in the table of contents for the year ended December 31, 2011. These financial statements are the responsibility of the Borough of Paulsboro's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America, the audit requirements prescribed by the Division of Local Government Services, Department of Community Affairs, State of New Jersey (the "Division"), and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

As described in Note 1, the Borough of Paulsboro prepares its financial statements on a basis of accounting prescribed by the Division of Local Government Services, Department of Community Affairs, State of New Jersey, that demonstrates compliance with a modified accrual basis, with certain exceptions, and the budget laws of the State of New Jersey, which practices differ from accounting principles generally accepted in the United States of America. The presentation requirement does not include a Management Discussion and Analysis as required by the Governmental Accounting Standards Board to be presented as Required Supplementary Information, but not required by the Division of Local Government Services, Department of Community Affairs, State of New Jersey. The affect on the financial statements of the variances between the prescribed basis of accounting and the accounting principles generally accepted in the United States of America, although not reasonably determinable, are presumed to be material.

In our opinion, because of the Borough's policy to prepare its financial statements on the basis of accounting discussed in the third paragraph of this report, the financial statements referred to above do not present fairly, in conformity with accounting principles generally accepted in the United States of America, the financial position of the Borough of Paulsboro as of December 31, 2011 and 2010, or the results of its operations for the years then ended.

However, in our opinion, the financial statements referred to above present fairly, in all material respects, the financial position – regulatory basis of the various funds and account groups of the Borough of Paulsboro as of December 31, 2011 and 2010, and the results of its operations and changes in fund balance – regulatory basis of such funds for the years then ended and the statement of revenues – regulatory basis and statement of expenditures – regulatory basis of the various funds for the year ended December 31, 2011, on the modified accrual basis of accounting described in Note 1.

In accordance with *Government Auditing Standards*, we have also issued our report dated June 21, 2012, on our consideration of the Borough of Paulsboro's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be read in conjunction with this report in considering the results of our audit.

Our audit was conducted for the purpose of forming an opinion on the financial statements as a whole. The supplemental schedules listed in the table of contents are presented for purposes of additional analysis and is not a required part of the financial statements. The accompanying schedule of Federal awards and State Financial Assistance is presented for additional analysis as required by U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-profit Organizations*, and New Jersey Treasurer Circular Letter 04-04 O.M.B., *Single Audit Policy for Recipients of Federal Grants, State Grants, and State Aid*, and is also not a required part of the financial statements. The supplementary schedules and the schedule of Federal awards and State Financial Assistance was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statement themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated, in all material respects, in relation to the financial statements taken as a whole.

PETRONI & ASSOCIATES LLC



Nick L. Petroni  
Certified Public Accountant  
Registered Municipal Accountant #252

June 21, 2012

## **CURRENT FUND**

## COMPARATIVE BALANCE SHEET - CURRENT FUND - REGULATORY BASIS

	Ref.	Balance Dec. 31, 2011	Balance Dec. 31, 2010
<b>ASSETS</b>			
Regular Fund			
Cash - Treasurer	A-4	2,602,329.61	3,378,308.36
Cash - Payroll	A-4	33,944.23	27,824.77
Change Fund		500.00	500.00
		2,636,773.84	3,406,633.13
Receivables and Other Assets with Full Reserves:			
Delinquent Property Taxes Receivable	A-7	604,316.02	655,244.19
Tax Title Liens Receivable	A-8	243,138.37	209,679.38
Property Acquired for Taxes - Assessed Valuation	A-9	494,600.00	494,600.00
Revenue Accounts Receivable	A-10	14,688.36	11,012.38
Clean-up Charges Receivable		45,558.56	45,558.56
Due from Federal and State Grant Fund	A	7,430.08	
Due from Animal Control Trust Fund			81.83
Due from Donations - Community Events	B	45.54	45.54
Due from Escrow Trust Fund	B	18.71	389.05
Due from General Capital Fund	C	10,000.00	10,000.00
		1,419,795.64	1,426,610.93
		4,056,569.48	4,833,244.06
Deferred Charges:			
Special Emergency Authorization	A-6	48,000.00	
		4,104,569.48	4,833,244.06
Federal and State Grant Fund			
Grants Receivable	A-5	1,044,394.70	1,041,023.61
Due Current Fund			37,701.16
		1,044,394.70	1,078,724.77
		5,148,964.18	5,911,968.83

The accompanying notes to the financial statements are an integral part of this statement.

COMPARATIVE BALANCE SHEET - CURRENT FUND - REGULATORY BASIS

	Ref.	Balance <u>Dec. 31, 2011</u>	Balance <u>Dec. 31, 2010</u>
<b>LIABILITIES, RESERVES AND FUND BALANCE</b>			
Regular Fund			
Liabilities:			
Appropriation Reserves	A-3:A-11	571,006.82	708,126.51
Encumbrances Payable	A-12	265,351.78	90,542.96
Due State of New Jersey - Senior Citizen and Veterans Deductions	A-13	4,707.80	4,092.88
Prepaid Taxes	A-4	64,741.18	353,540.49
Tax Overpayments		1,008.96	971.91
Due Election Workers		612.00	462.00
County Open Space Taxes Payable			416.22
Due County for Added & Omitted Taxes	A-7	1,010.63	6,126.21
Due Federal and State Grant Fund			37,701.16
Payroll Taxes Payable		34,444.58	28,325.12
Due to Outside Lien Holders		806.68	29,304.35
Reserve for Local Grants	A-15	52,210.29	44,155.07
Reserve for Tax Appeals Pending	A-2	16,297.01	
Local School District Tax Payable	A-14	2,581.00	405,661.44
		<u>1,014,778.73</u>	<u>1,709,426.32</u>
Reserve for Receivables		1,419,795.64	1,426,610.93
Fund Balance	A-1	1,669,995.21	1,697,206.81
		<u>4,104,569.58</u>	<u>4,833,244.06</u>
Federal and State Grant Fund			
Reserve for Grants - Appropriated	A-17	1,027,367.22	1,027,194.31
Reserve for Grants - Unappropriated	A-16	2,340.64	6,903.62
Encumbrances Payable	A-12	7,256.76	44,626.84
Due Current Fund	A	7,430.08	
		<u>1,044,394.70</u>	<u>1,078,724.77</u>
		<u>5,148,964.28</u>	<u>5,911,968.83</u>

The accompanying notes to the financial statements are an integral part of this statement.

COMPARATIVE STATEMENT OF OPERATIONS AND CHANGE  
IN FUND BALANCE - CURRENT FUND - REGULATORY BASIS

	Ref.	Year 2011	Year 2010
<b>Revenue and Other Income Realized</b>			
Fund Balance Utilized	A-2	605,538.11	753,065.43
Miscellaneous Revenue Anticipated	A-2	1,753,319.38	2,132,520.89
Receipts from Delinquent Taxes	A-2	635,915.05	638,303.37
Receipts from Current Taxes	A-2	12,109,894.27	11,596,519.36
Non-Budget Revenue	A-2	36,298.53	558,349.98
Other Credits to Income:			
Unexpended Balance of Appropriation Reserves	A-11	413,691.65	405,380.74
Encumbrances Payable - Canceled	A-12	417.00	
Grant Reserves - Canceled			335,000.00
Total Income		15,555,073.99	16,419,139.77
<b>Expenditures</b>			
Budget Appropriations Within "CAPS"			
Operations:			
Salaries and Wages	A-3	2,758,238.00	2,734,048.26
Other Expenses	A-3	2,973,915.64	2,919,789.70
Deferred Charges and Statutory			
Expenditures - Municipal	A-3	665,458.00	502,686.00
Budget Appropriations Excluded from "CAPS"			
Operations:			
Other Expenses	A-3	296,206.60	934,073.67
Capital Improvements	A-3	240,000.00	
Debt Service	A-3	421,170.24	408,531.24
County Taxes	A-7	2,542,646.82	2,345,292.24
County Open Space Taxes	A-7	203,426.97	183,237.09
Due County for Added Taxes	A-7	1,010.63	6,126.21
Local District School Tax	A-14	4,914,994.50	4,932,443.50
Prior Year Deductions Disallowed	A-13	250.00	1,106.85
Grants Receivable - Canceled			335,000.00
Interfunds Returned		7,430.08	
Prior year refunds			4,490.16
Total Expenditures		15,024,747.48	15,306,824.92

The accompanying notes to the financial statements are an integral part of this statement.

COMPARATIVE STATEMENT OF OPERATIONS AND CHANGE  
IN FUND BALANCE - CURRENT FUND - REGULATORY BASIS

	Ref.	Year 2011	Year 2010
Excess in Revenue		530,326.51	1,112,314.85
Adjustments to Income Before Fund Balance:			
Expenditures Included Above Which are by Statute			
Deferred Charges to Budget of Succeeding Year	A-3	48,000.00	
Statutory Excess to Fund Balance		578,326.51	1,112,314.85
<b>Fund Balance</b>			
Balance January 1	A	1,697,206.81	1,337,957.39
		2,275,533.32	2,450,272.24
Decreased by:			
Utilization as Anticipated Revenue	A-1	605,538.11	753,065.43
Balance December 31	A	1,669,995.21	1,697,206.81

The accompanying notes to the financial statements are an integral part of this statement.

## STATEMENT OF REVENUES - CURRENT FUND - REGULATORY BASIS

	Ref.	Anticipated		Realized	Excess or (Deficit)
		Budget	Amended by N.J.S.A. 40A:4-87		
Fund Balance Anticipated	A-1	605,538.11		605,538.11	
Miscellaneous Revenues:					
Licenses:					
Alcoholic Beverages	A-10	6,000.00		6,685.68	685.68
Other	A-10	9,000.00		13,000.00	4,000.00
Fees and Permits	A-10	6,000.00		5,615.00	(385.00)
Fines and Costs:					
Municipal Court	A-10	100,000.00		100,362.04	362.04
Interest and Costs on Taxes	A-10	100,000.00		121,593.81	21,593.81
Interest on Investments & Deposits	A-10	1,000.00		516.51	(483.49)
Landlord Licensing	A-10	88,000.00		97,607.00	9,607.00
Consolidated Municipal Property Tax	A-10	159,419.00		153,852.70	(5,566.30)
Energy Receipts Tax	A-10	402,393.00		402,393.00	
Uniform Construction Code Official	A-10	35,000.00		33,581.00	(1,419.00)
Uniform Fire Safety Act	A-10	8,956.64		8,914.74	(41.90)
Cable TV Franchise Fee	A-10	15,609.44		15,609.44	
Payments in Lieu - S.J. Port	A-10	500,000.00		515,000.00	15,000.00
JIF Optional Safety Budget		7,400.00			(7,400.00)
Donations - Nustar Asphalt Refining	A-10		6,720.00	6,720.00	
Exxon-Mobil Summer Work Program	A-10	32,500.00		32,500.00	
NJ DOT Grant	A-5	180,000.00		180,000.00	
Municipal Court Alcohol Education	A-5		269.67	269.67	
Clean Communities Program	A-5	10,382.60		10,382.60	
Safe & Secure Program	A-5	23,229.00		23,229.00	
Police Body Armor	A-5		2,118.94	2,118.94	
Recycling Tonnage	A-5	4,562.98	7,951.27	12,514.25	
Municipal Alliance	A-5	10,854.00		10,854.00	
Total Miscellaneous Revenues		1,700,306.66	17,059.88	1,753,319.38	35,952.84
Receipts from Delinquent Taxes	A-2	610,000.00		635,915.05	25,915.05
Amount to be Raised by Taxation	A-2	4,941,368.00		5,015,014.09	73,646.09
Minimum Library Tax	A-7	156,324.14		156,324.14	
Budget Totals		8,013,536.91	17,059.88	8,166,110.77	135,513.98
Non-Budget Revenue	A-2			36,298.53	
		8,013,536.91	17,059.88	8,202,409.30	
Ref.	A-3		A-3		

The accompanying notes to the financial statements are an integral part of this statement.

STATEMENT OF REVENUES - CURRENT FUND - REGULATORY BASIS

Allocation of Current Tax Collections:	Ref.	
Revenue from Collections	A-7	12,126,191.28
Less: Tax Appeals Pending	A	<u>16,297.01</u>
		12,109,894.27
Allocated to: School and County Taxes		<u>7,662,078.92</u>
Balance for Support of Municipal Budget Appropriation		4,447,815.35
Add: Appropriation "Reserve for Uncollected Taxes"	A-3	<u>723,522.88</u>
Amount for Support of Municipal Budget Appropriation	A-2	<u><u>5,171,338.23</u></u>
Receipts from Delinquent Taxes:		
Delinquent Tax Collection	A-7	633,933.06
Tax Title Liens Receivable	A-8	<u>1,981.99</u>
	A-2	<u><u>635,915.05</u></u>
<b>Analysis of Non-Budget Revenue</b>		
Miscellaneous Revenue Not Anticipated:		
Revenue Accounts Receivable:		
Senior Citizen Administration Fee	A-10	2,095.00
Tax Sale Premiums	A-10	300.00
Refunds	A-10	4,402.35
SLCHIP Fees	A-10	990.00
Rental Income	A-10	27,500.00
Miscellaneous	A-10	<u>1,011.18</u>
	A-2	<u><u>36,298.53</u></u>

The accompanying notes to the financial statements are an integral part of this statement.

STATEMENT OF EXPENDITURES - CURRENT FUND - REGULATORY BASIS

	Appropriations		Expended			Unexpended Balance Canceled
	Budget	Budget After Modifications	Paid or Charged	Encumbered	Reserved	
<b>GENERAL GOVERNMENT FUNCTIONS</b>						
General Administration						
Salary & Wages	151,293.00	151,293.00	143,584.61		7,708.39	
Other Expenses	35,000.00	45,000.00	38,035.80	2,861.85	4,102.35	
Grants Consultant						
Other Expenses	6,000.00	6,000.00			6,000.00	
Redevelopment Consultant						
Other Expenses	8,000.00	8,000.00	1,429.88		6,570.12	
Mayor and Borough Council						
Salary & Wages	41,513.00	41,513.00	40,025.28		1,487.72	
Other Expenses	5,000.00	5,000.00	3,023.00	530.50	1,446.50	
Municipal Clerk						
Salary & Wages	56,308.00	56,308.00	54,649.24		1,658.76	
Other Expenses:						
Printing & Legal Advertising	8,000.00	8,000.00	5,711.26	1,352.05	936.69	
Codification and Revision of Ordinances	3,500.00	3,500.00	2,898.40		601.60	
Miscellaneous Other Expenses	1,500.00	1,500.00	823.40		676.60	
Elections						
Other Expenses:	4,000.00	4,000.00	3,448.88		551.12	
Financial Administration						
Salary & Wages	37,655.00	37,655.00	29,030.88		8,624.12	
Other Expenses:						
Compilation of Fixed Assets	600.00	600.00			600.00	
Miscellaneous Other Expenses	5,000.00	5,000.00	2,368.52		2,631.48	
Audit Services						
Other Expenses	41,000.00	41,000.00	39,923.75		1,076.25	
Revenue Administration (Tax Collection)						
Salaries and Wages	49,431.00	49,431.00	45,005.52		4,425.48	
Other Expenses:						
Tax Sale Costs	3,000.00	3,000.00	2,990.60		9.40	
Computer Service	4,000.00	4,000.00	2,542.50		1,457.50	
Miscellaneous Other Expenses	5,000.00	5,000.00	2,073.64		2,926.36	

The accompanying notes to the financial statements are an integral part of this statement.

STATEMENT OF EXPENDITURES - CURRENT FUND - REGULATORY BASIS

	Appropriations		Expended			Unexpended Balance Canceled
	Budget	Budget After Modifications	Paid or Charged	Encumbered	Reserved	
Liquidation of Tax Title Liens & Foreclosed Property						
Other Expenses	6,000.00	1,000.00			1,000.00	
Tax Assessment Administration						
Salaries and Wages	22,980.00	22,980.00	22,303.84		676.16	
Other Expenses:						
Tax Appeal Fees	25,000.00	10,500.00	2,325.00		8,175.00	
Tax Maps		48,000.00	46,926.76		1,073.24	
Miscellaneous Other Expenses	5,000.00	5,000.00	4,063.13	500.00	436.87	
Legal Services & Costs						
Other Expenses:						
Fees	100,000.00	90,000.00	57,049.56	1,915.55	31,034.89	
Engineering Services & Costs						
Other Expenses:						
Fees	30,000.00	30,000.00	24,755.15	3,447.08	1,797.77	
<b>LAND USE ADMINISTRATION (N.J.S.A. 40:55D-1)</b>						
Planning Board						
Salaries and Wages	1,729.00	1,729.00	1,548.12		180.88	
Other Expenses:						
Legal Fees	5,000.00	5,000.00	4,360.48		639.52	
Miscellaneous Other Expenses	2,500.00	2,500.00	483.00		2,017.00	
Zoning Board						
Salaries and Wages	2,808.00	2,808.00	2,724.80		83.20	
<b>CODE ENFORCEMENT &amp; ADMINISTRATION</b>						
Housing Inspector						
Salaries and Wages	10,717.00	10,717.00	8,185.03		2,531.97	
Other Expenses	2,000.00	2,000.00			2,000.00	
Municipal Code Enforcement Officer						
Salaries and Wages						
Other Expenses	2,000.00	2,000.00	418.60		1,581.40	
Inspection of Rental Property						
Salaries and Wages	58,529.00	58,529.00	51,055.59		7,473.41	
Other Expenses	3,500.00	3,500.00	1,870.86		1,629.14	

The accompanying notes to the financial statements are an integral part of this statement.

STATEMENT OF EXPENDITURES - CURRENT FUND - REGULATORY BASIS

	Appropriations		Expended		Unexpended Balance Canceled
	Budget	Budget After Modifications	Paid or Charged	Encumbered Reserved	
Civil Rights Commission					
Other Expenses	100.00	100.00	100.00		
<b>INSURANCE</b>					
Group Insurance Plan for Employees	935,419.00	935,419.00	912,913.69		22,505.31
Liability Insurance	160,000.00	194,000.00	184,422.90		9,577.10
Worker Compensation Insurance	190,000.00	190,000.00	185,000.00		5,000.00
Insurance Safety Programs					
Other Expenses	7,400.00	7,400.00	2,991.24		4,408.76
<b>PUBLIC SAFETY FUNCTIONS</b>					
Police					
Salaries and Wages	1,618,139.00	1,618,139.00	1,524,547.83		93,591.17
Other Expenses:					
New Cars	25,000.00	25,000.00		24,272.39	727.61
Physicals	3,000.00	3,000.00			3,000.00
Miscellaneous Other Expenses	78,000.00	78,000.00	49,051.69	13,750.66	15,197.65
Police Reserves					
Other Expenses	1,000.00	1,000.00			1,000.00
Crossing Guards					
Salaries and Wages	58,238.00	58,238.00	55,381.03		2,856.97
Other Expenses	1,000.00	1,000.00	252.00		748.00
Emergency Management Services					
Other Expenses	1,500.00	3,000.00	1,647.00		1,353.00
Fire					
Other Expenses	54,000.00	54,000.00	27,657.10	9,522.48	16,820.42
Uniform Fire Safety Act (P.L. 1983, C. 383)					
Salaries and Wages	6,000.00	6,000.00	6,000.00		
Other Expenses	2,996.64	2,996.64	1,001.00		1,995.64
Prosecutor					
Salaries and Wages	15,991.00	15,991.00	15,520.50		470.50

The accompanying notes to the financial statements are an integral part of this statement.

STATEMENT OF EXPENDITURES - CURRENT FUND - REGULATORY BASIS

	Appropriations		Expended			Unexpended Balance Canceled
	Budget	Budget After Modifications	Paid or Charged	Encumbered	Reserved	
<b>PUBLIC WORKS FUNCTION</b>						
Road Repairs & Maintenance						
Salaries & Wages	432,021.00	432,021.00	405,531.98		26,489.02	
Other Expenses	100,000.00	90,000.00	51,362.63	12,192.17	26,445.20	
JIF Safety Coordinator						
Salaries & Wages	2,149.00	2,149.00	2,084.16		64.84	
Solid Waste Collection						
Other Expenses	238,000.00	238,000.00	209,625.00	19,125.00	9,250.00	
Public Buildings & Grounds						
Other Expenses						
Demolition	10,000.00	1,000.00	625.00		375.00	
Miscellaneous Other Expenses	25,000.00	25,000.00	17,481.53	3,134.53	4,383.94	
Vehicle Maintenance						
Salaries & Wages	920.00	920.00	893.44		26.56	
Other Expenses	76,000.00	66,000.00	50,026.50	2,870.97	13,102.53	
<b>HEALTH &amp; HUMAN SERVICES</b>						
Registrar of Vital Statistics						
Other Expenses	1,000.00	1,000.00	250.00		750.00	
Environmental Committee						
Other Expenses	500.00	500.00	340.00		160.00	
Dog Regulation						
Other Expenses	2,500.00	2,500.00			2,500.00	
<b>PARK &amp; RECREATION FUNCTION</b>						
Recreation Services and Programs						
Other Expenses	22,300.00	22,300.00	15,121.90	5,200.00	1,978.10	
Maintenance of Parks						
Other Expenses	10,000.00	10,000.00	9,073.35	311.50	615.15	
Senior Citizen Transportation						
Other Expenses	600.00	600.00	244.51		355.49	
<b>OTHER COMMON OPERATING FUNCTIONS</b>						
Accumulated Absence Management	20,000.00	45,000.00		45,000.00		
Celebration of Public Event, Anniversary or Holiday						
Other Expenses	11,000.00	11,000.00	10,991.00		9.00	

The accompanying notes to the financial statements are an integral part of this statement.

STATEMENT OF EXPENDITURES - CURRENT FUND - REGULATORY BASIS

	Appropriations		Expended			Unexpended Balance Canceled
	Budget	Budget After Modifications	Paid or Charged	Encumbered	Reserved	
<b>UTILITY AND BULK PURCHASES</b>						
Electricity	38,000.00	38,000.00	30,102.70		7,897.30	
Street Lighting	98,000.00	98,000.00	79,911.73		18,088.27	
Telephone	37,000.00	37,000.00	34,941.46		2,058.54	
Gas (Natural or Propane)	8,000.00	8,000.00	5,158.78		2,841.22	
Fuel Oil	13,000.00	13,000.00	10,596.27		2,403.73	
Gasoline	106,000.00	106,000.00	88,039.66	9,638.86	8,321.48	
<b>LANDFILL/SOLID WASTE DISPOSAL COSTS</b>						
Sanitary Landfill						
Other Expenses	307,000.00	287,000.00	223,584.94	1,006.50	62,408.56	
<b>MUNICIPAL COURT</b>						
Municipal Court						
Salaries and Wages	108,493.00	108,493.00	101,184.58		7,308.42	
Other Expenses	13,000.00	15,000.00	13,660.74	168.75	1,170.51	
Public Defender						
Salaries and Wages	5,142.00	5,142.00	4,927.04		214.96	
<b>UNIFORM CONSTRUCTION CODE - APPROPRIATIONS OFFSET BY DEDICATED REVENUES (N.J.A.C. 5:23-4.17)</b>						
State Uniform Construction Code (N.J.S.A. 52:27D-120 et.seq.)						
Construction Code Official						
Salaries and Wages	78,182.00	78,182.00	72,759.68		5,422.32	
Other Expenses	25,000.00	25,000.00	20,457.64	621.00	3,921.36	
<b>Total Operations Including Contingent Within "CAPS"</b>	<b>5,690,153.64</b>	<b>5,732,153.64</b>	<b>5,071,097.28</b>	<b>157,421.84</b>	<b>503,634.52</b>	

The accompanying notes to the financial statements are an integral part of this statement.

STATEMENT OF EXPENDITURES - CURRENT FUND - REGULATORY BASIS

	Appropriations		Expended		Unexpended Balance Canceled
	Budget	Budget After Modifications	Paid or Charged	Encumbered Reserved	
Detail:					
Salaries and Wages	2,758,238.00	2,758,238.00	2,586,943.15		171,294.85
Other Expenses	2,931,915.64	2,973,915.64	2,484,154.13	157,421.84	332,339.67
<b>DEFERRED CHARGES &amp; STATUTORY EXPENDITURES - MUNICIPAL WITHIN "CAPS"</b>					
<b>STATUTORY EXPENDITURES:</b>					
Contribution to:					
Public Employees' Retirement System	121,708.00	121,708.00	121,708.00		
Social Security System (O.A.S.I.)	117,000.00	117,000.00	109,832.24		7,167.76
Police & Firemen's' Retirement System of N.J.	410,750.00	410,750.00	410,750.00		
Unemployment Compensation Insurance	10,000.00	16,000.00	14,934.79		1,065.21
Total Deferred Charges & Statutory Expenditures-Municipal within "CAPS"	659,458.00	665,458.00	657,225.03		8,232.97
Total General Appropriations for Municipal Purposes within "CAPS"	6,349,611.64	6,397,611.64	5,728,322.31	157,421.84	511,867.49
<b>OPERATIONS EXCLUDED FROM "CAPS"</b>					
<b>EDUCATION FUNCTIONS</b>					
Maintenance of Free Public Library	156,324.14	156,324.14	134,727.02	2,773.24	18,823.88
<b>INSURANCE</b>					
Group Insurance Plan for Employees	4,581.00	4,581.00			4,581.00
<b>PUBLIC SAFETY FUNCTIONS</b>					
Length of Service Award Program	34,000.00	34,000.00			34,000.00

The accompanying notes to the financial statements are an integral part of this statement.

STATEMENT OF EXPENDITURES - CURRENT FUND - REGULATORY BASIS

	Appropriations		Paid or Charged	Expended		Unexpended Balance Canceled
	Budget	Budget After Modifications		Encumbered	Reserved	
<b>PUBLIC AND PRIVATE PROGRAMS</b>						
<b>OFFSET BY REVENUES</b>						
Clean Communities	10,382.60	10,382.60	10,382.60			
Municipal Alliance for Drug & Alcohol Abuse	13,567.00	13,567.00	13,567.00			
Safe and Secure	23,229.00	23,229.00	23,229.00			
V Recycling Tonnage Grant	4,562.98	12,514.25	12,514.25			
Police Body Armor		2,118.94	2,118.94			
Municipal Court Alcohol Education		269.67	269.67			
Exxon-Mobil Summer Work Program	32,500.00	32,500.00	32,500.00			
Donations - Economic Development Office		6,720.00	6,720.00			
Total Operations Excluded from "CAPS"	279,146.72	296,206.60	236,028.48	2,773.24	57,404.88	
Detail:						
Other Expenses	279,146.72	296,206.60	236,028.48	2,773.24	57,404.88	
<b>CAPITAL IMPROVEMENTS</b>						
Improvements to Municipal Library	15,000.00	15,000.00	4,829.55	8,750.00	1,420.45	
Purchase of Dump Truck	45,000.00	45,000.00	44,686.00		314.00	
NJ DOT Grant	180,000.00	180,000.00	180,000.00			
Total Capital Improvements	240,000.00	240,000.00	229,515.55	8,750.00	1,734.45	
<b>DEBT SERVICE</b>						
Payment of Bond Principal	160,000.00	160,000.00	160,000.00			
Interest on Bonds	127,800.00	127,800.00	127,800.00			
Payment of Bond Anticipation Notes	90,500.00	90,500.00	90,500.00			
Interest on Bond Anticipation Notes	22,100.67	22,100.67	22,015.24			85.43
Berkadia Loan Payments Principal and Interest	17,418.00	17,418.00	17,418.00			
Capital Lease Obligations						
Principal	3,000.00	3,000.00	3,000.00			
Interest	437.00	437.00	437.00			
Total Debt Service	421,255.67	421,255.67	421,170.24			85.43

The accompanying notes to the financial statements are an integral part of this statement.

STATEMENT OF EXPENDITURES - CURRENT FUND - REGULATORY BASIS

	Appropriations		Expended		Unexpended Balance Canceled
	Budget	Budget After Modifications	Paid or Charged	Encumbered Reserved	
Total General Appropriations for Municipal Purposes Excluded from "CAPS"	940,402.39	957,462.27	886,714.27	11,523.24 59,139.33	85.43
Subtotal General Appropriations	7,290,014.03	7,355,073.91	6,615,036.58	168,945.08	85.43
RESERVE FOR UNCOLLECTED TAXES	723,522.88	723,522.88	723,522.88		
<b>TOTAL GENERAL APPROPRIATIONS</b>	<b>8,013,536.91</b>	<b>8,078,596.79</b>	<b>7,338,559.46</b>	<b>168,945.08</b> <b>571,006.82</b>	<b>85.43</b>
Ref.	A-2			A-12 A	
Budget	Ref. A-3	8,013,536.91			
Budget Amendments per N.J.S.A. 40A:4-87	A-2	17,059.88			
Special Emergency per N.J.S.A. 40A:4-55	A-6	48,000.00			
		<u>8,078,596.79</u>			
Reserve for Uncollected Taxes	Ref. A-2		723,522.88		
Reserve for Local Grants	A-15		39,220.00		
Reserve for Federal & State Grants - Appropriated	A-17		242,081.46		
Disbursed	A-4		6,333,735.12		
			<u>7,338,559.46</u>		

The accompanying notes to the financial statements are an integral part of this statement.

## **TRUST FUND**

## COMPARATIVE BALANCE SHEET - TRUST FUND - REGULATORY BASIS

	Ref.	Balance Dec. 31, 2011	Balance Dec. 31, 2010
<b>ASSETS</b>			
Animal Control Trust Fund			
Cash - Treasurer	B-1	2,349.75	2,535.83
Donations - Community Events			
Cash - Treasurer	B-1	36,069.37	30,342.67
Escrow Trust Fund			
Cash - Treasurer	B-1	56,004.47	46,620.06
Law Enforcement Forfeiture Trust Fund			
Cash - Treasurer	B-1	9,805.25	9,714.59
Park & Recreation Trust Fund			
Cash - Treasurer	B-1	88,331.17	68,689.50
Recycling Trust Fund			
Cash - Treasurer	B-1	17,760.72	8,369.34
Self-Insurance Trust Fund			
Cash - Treasurer	B-1	289,788.40	285,536.99
Investment in Bond Anticipation Notes	B-1	106,341.46	
		396,129.86	285,536.99
Tax Sale Premium Fund			
Cash - Treasurer	B-1	71,302.00	70,200.00
Parking Offense Adjudication Act			
Cash - Treasurer	B-1	916.00	816.00
Due from Tax Sale Premium Trust Fund	B	2.00	
		918.00	816.00
Off-Duty Police Fund			
Cash - Treasurer	B-1	9,140.23	8,096.66
Regional Contribution Agreements			
Cash - Treasurer - East Greenwich	B-1	335,516.71	502,755.00
Cash - Treasurer - Woolwich	B-1	320,375.30	341,424.97
		655,892.01	844,179.97
		1,343,702.83	1,375,101.61

The accompanying notes to the financial statements are an integral part of this statement.

COMPARATIVE BALANCE SHEET - TRUST FUND - REGULATORY BASIS

	Ref.	Balance Dec. 31, 2011	Balance Dec. 31, 2010
<b>LIABILITIES, RESERVES AND FUND BALANCE</b>			
Animal Control Trust Fund			
Reserve for Dog Fund Expenditures	B-2	2,349.75	2,454.00
Due Current Fund			81.83
		<u>2,349.75</u>	<u>2,535.83</u>
Donations - Community Events			
Reserve for Donations - Community Events		36,023.83	30,297.13
Due Current Fund	A	45.54	45.54
		<u>36,069.37</u>	<u>30,342.67</u>
Escrow Trust Fund			
Reserve for Escrow Fees		55,985.76	46,231.01
Due Current Fund	A	18.71	389.05
		<u>56,004.47</u>	<u>46,620.06</u>
Law Enforcement Forfeiture Trust Fund			
Reserve for Forfeited Funds		9,805.25	9,714.59
Park & Recreation Trust Fund			
Reserve for Park & Recreation Fees		88,331.17	68,689.50
Recycling Trust Fund			
Reserve for Recycling Fees		17,760.72	8,369.34
Self-Insurance Trust Fund			
Reserve for Insurance Claims		396,129.86	285,536.99
Tax Sale Premium			
Reserve for Tax Sale Premiums	B-3	71,300.00	70,200.00
Due POAA Trust	B	2.00	
		<u>71,302.00</u>	<u>70,200.00</u>
Parking Offense Adjudication Act			
Reserve for POAA		918.00	816.00

The accompanying notes to the financial statements are an integral part of this statement.

COMPARATIVE BALANCE SHEET - TRUST FUND - REGULATORY BASIS

	Ref.	Balance <u>Dec. 31, 2011</u>	Balance <u>Dec. 31, 2010</u>
<b>LIABILITIES, RESERVES AND FUND BALANCE</b>			
Off-Duty Police Fund			
Reserve for Off-Duty Police		<u>9,140.23</u>	<u>8,096.66</u>
Regional Contribution Agreements			
Reserve for Regional Contribution Agreements		<u>655,892.01</u>	<u>844,179.97</u>
		<u><u>1,343,702.83</u></u>	<u><u>1,375,101.61</u></u>

The accompanying notes to the financial statements are an integral part of this statement.

## **GENERAL CAPITAL FUND**

## COMPARATIVE BALANCE SHEET - GENERAL CAPITAL FUND - REGULATORY BASIS

	Ref.	Balance Dec. 31, 2011	Balance Dec. 31, 2010
<b>ASSETS</b>			
Cash - Treasurer	C-2	184,211.68	121,516.22
Deferred Charges to Future Taxation:			
Funded	C-4	3,399,763.48	3,570,700.95
Unfunded	C-6	3,860,008.46	3,408,367.00
Due from Paulsboro Public Library		603,698.00	
Amount to be Provided by Capital Lease			3,000.00
		<u>8,047,681.62</u>	<u>7,103,584.17</u>
<b>LIABILITIES, RESERVES AND FUND BALANCE</b>			
Bond Anticipation Notes Payable	C-9	2,249,291.46	1,894,450.00
Loan Payable - Berkadia	C-8	124,763.48	135,700.95
Serial Bonds Payable	C-11	3,275,000.00	3,435,000.00
Obligations Under Capital Lease			3,000.00
Improvement Authorizations:			
Funded	C-7	656,323.69	38,934.73
Unfunded	C-7	1,686,274.94	1,532,326.98
Encumbrances Payable			8,143.46
Capital Improvement Fund	C-5	32,749.83	32,749.83
Reserve for:			
Purchase of Computer		4,155.36	4,155.36
Court Recording System		975.00	975.00
Due Current Fund	A	10,000.00	10,000.00
Fund Balance	C-1	8,147.86	8,147.86
		<u>8,047,681.62</u>	<u>7,103,584.17</u>

EXHIBIT C-1

## STATEMENT OF FUND BALANCE - GENERAL CAPITAL FUND - REGULATORY BASIS

	Ref.	
Balance December 31, 2010	C	8,147.86
Balance December 31, 2011	C	<u>8,147.86</u>

The accompanying notes to the financial statements are an integral part of this statement.

**WATER & SEWER UTILITY FUND**

## EXHIBIT D

## COMPARATIVE BALANCE SHEET - WATER &amp; SEWER UTILITY FUND - REGULATORY BASIS

	Ref.	Balance Dec. 31, 2011	Balance Dec. 31, 2010
<b>ASSETS</b>			
Operating Fund			
Cash - Treasurer	D-5	585,968.67	690,969.17
Investment - Bond Anticipation Notes	D-5	235,950.00	
		821,918.67	690,969.17
Receivables with Full Reserves:			
Consumer Accounts Receivable	D-7	424,024.87	432,507.15
Water and Sewer Liens	D-8	15,808.87	13,074.32
		439,833.74	445,581.47
Total Operating Fund		1,261,752.41	1,136,550.64
Capital Fund			
Cash - Treasurer	D-5	2,849,321.14	728,286.83
Fixed Capital	D-9	4,538,670.04	4,538,670.04
Fixed Capital Authorized and Uncompleted	D-10	9,794,100.00	8,888,000.00
		17,182,091.18	14,154,956.87
Total Capital Fund		18,443,843.59	15,291,507.51

The accompanying notes to the financial statements are an integral part of this statement.

COMPARATIVE BALANCE SHEET - WATER & SEWER UTILITY FUND - REGULATORY BASIS

	Ref.	Balance Dec. 31, 2011	Balance Dec. 31, 2010
<b>LIABILITIES, RESERVES AND FUND BALANCE</b>			
Operating Fund			
Liabilities:			
Appropriation Reserves	D-4:D-11	195,205.86	130,183.82
Encumbrances Payable	D-12	57,819.99	36,496.33
Water & Sewer Rent Overpayments		518.60	212.28
Accrued Interest on Notes	D-14	14,546.50	8,984.11
Unallocated Deposit			130.00
Security Deposit AT & T		3,000.00	3,000.00
		<u>271,090.95</u>	<u>179,006.54</u>
Reserve for Receivables		439,833.74	445,581.47
Fund Balance	D-1	550,827.72	511,962.63
		<u>1,261,752.41</u>	<u>1,136,550.64</u>
Total Operating Fund			
Capital Fund			
Bond Anticipation Notes Payable	D-16	7,068,000.00	1,685,000.00
Improvement Authorizations:			
Unfunded	D-15	4,334,978.65	6,652,550.48
Encumbrances Payable	D-12	618,130.64	693,924.50
Capital Improvement Fund	D-13	21,614.97	21,614.97
Reserve for Amortization		5,112,170.04	5,074,670.04
Reserve for Purchase of Computer		579.00	579.00
Preliminary Expenses		578.50	578.50
Construction Water Treatment Plant		4,208.65	4,208.65
Fund Balance	D-2	21,830.73	21,830.73
		<u>17,182,091.18</u>	<u>14,154,956.87</u>
Total Capital Fund		<u>18,443,843.59</u>	<u>15,291,507.51</u>

The accompanying notes to the financial statements are an integral part of this statement.

COMPARATIVE STATEMENT OF OPERATIONS AND CHANGE IN FUND  
BALANCE - WATER & SEWER UTILITY FUND - REGULATORY BASIS

	Ref.	<u>Year 2011</u>	<u>Year 2010</u>
<b>Revenue and Other Income Realized</b>			
Fund Balance Utilized	D-3	343,856.00	399,400.00
Water Rents	D-3	688,717.69	626,509.16
Sewer Rents	D-3	762,661.50	738,935.76
Interest on Investments	D-3	1,075.29	1,471.23
Miscellaneous	D-3:D-5	137,057.85	128,305.36
Other Credits to Income:			
Unexpended Balance of Appropriation Reserves	D-11	74,208.76	63,640.09
Encumbrances Canceled			1,016.10
		<u>2,007,577.09</u>	<u>1,959,277.70</u>
<b>Expenditures</b>			
Operating	D-4	1,461,632.00	1,437,000.00
Capital Improvements	D-4	15,000.00	15,000.00
Debt Service	D-4	64,024.00	39,315.00
Deferred Charges and Statutory Expenditures	D-4	84,200.00	83,400.00
		<u>1,624,856.00</u>	<u>1,574,715.00</u>
Statutory Excess to Fund Balance		382,721.09	384,562.70
<b>Fund Balance</b>			
Balance January 1	D	511,962.63	526,799.93
		894,683.72	911,362.63
Decreased by:			
Utilization as Anticipated Revenue	D-1	343,856.00	399,400.00
Balance December 31	D	<u><u>550,827.72</u></u>	<u><u>511,962.63</u></u>

The accompanying notes to the financial statements are an integral part of this statement.

## EXHIBIT D-2

## STATEMENT OF FUND BALANCE - WATER &amp; SEWER CAPITAL FUND - REGULATORY BASIS

Balance December 31, 2010	Ref. D	21,830.73
Balance December 31, 2011	D	<u>21,830.73</u>

## EXHIBIT D-3

## STATEMENT OF REVENUES - WATER &amp; SEWER UTILITY FUND - REGULATORY BASIS

	Ref.	Anticipated Budget	Realized	Excess or (Deficit)
Operating Surplus Anticipated	D-1	343,856.00	343,856.00	
Water Rents	D-3	600,000.00	688,717.69	88,717.69
Sewer Rents	D-3	700,000.00	762,661.50	62,661.50
Interest on Investments	D-5	1,000.00	1,075.29	75.29
		<u>1,644,856.00</u>	<u>1,796,310.48</u>	<u>151,454.48</u>
	Ref. D-4			

## Analysis of Realized Revenue

	Ref.	Water	Sewer
Rents:			
Consumer Accounts Receivable:			
Collected	D-7	688,717.69	762,449.22
Overpayments Applied	D-7		212.28
	D-3	<u>688,717.69</u>	<u>762,661.50</u>
Miscellaneous:			
Interest on Delinquent Accounts		65,039.14	
On/Off Fees		160.00	
Wireless Cell Phone Tower Rental		57,698.47	
Connection Fees		13,856.42	
Return Check Fees		175.00	
Miscellaneous		128.82	
	D-5	<u>137,057.85</u>	

The accompanying notes to the financial statements are an integral part of this statement.

## STATEMENT OF EXPENDITURES - WATER &amp; SEWER UTILITY FUND - REGULATORY BASIS

	Appropriations		Expended			Unexpended Balance Canceled
	Budget	Budget After Modifications	Paid or Charged	Encumbered	Reserved	
Operating:						
Salaries and Wages	456,632.00	456,632.00	388,939.77		67,692.23	
Other Expenses	580,000.00	560,000.00	475,403.29	17,417.10	47,179.61	20,000.00
Sewer Rental - GCUA	420,000.00	440,000.00	368,372.30	35,002.89	36,624.81	
Engineering Fees	25,000.00	25,000.00	2,800.39		22,199.61	
Capital Improvements						
Capital Outlay	15,000.00	15,000.00			15,000.00	
Debt Service:						
Payment of Note Principal	37,500.00	37,500.00	37,500.00			
Interest on Notes	26,524.00	26,524.00	26,524.00			
Statutory Expenditures:						
Public Employees' Retirement System	46,200.00	46,200.00	46,166.00		34.00	
Social Security System (O.A.S.I.)	35,000.00	35,000.00	29,879.56		5,120.44	
Unemployment Compensation Insurance (N.J.S.A. 43:21-3 et seq.)	3,000.00	3,000.00	1,644.84		1,355.16	
	<u>1,644,856.00</u>	<u>1,644,856.00</u>	<u>1,377,230.15</u>	<u>52,419.99</u>	<u>195,205.86</u>	<u>20,000.00</u>
Ref.	D-3			D-12	D	
Interest on Bonds and Notes Disbursed		Ref. D-14	26,524.00			
		D-5	1,350,706.15			
			<u>1,377,230.15</u>			

The accompanying notes to the financial statements are an integral part of this statement.

## **PUBLIC ASSISTANCE FUND**

## COMPARATIVE BALANCE SHEET - PUBLIC ASSISTANCE FUND - REGULATORY BASIS

	Ref.	Balance <u>Dec. 31, 2011</u>	Balance <u>Dec. 31, 2010</u>
<b>ASSETS</b>			
Cash - Treasurer	E-1	<u>44,800.89</u>	<u>44,800.89</u>
<b>LIABILITIES, RESERVES AND FUND BALANCE</b>			
Advanced State Aid		<u>44,800.89</u>	<u>44,800.89</u>

The accompanying notes to the financial statements are an integral part of this statement.

**GENERAL FIXED ASSETS**

## COMPARATIVE BALANCE SHEET OF GENERAL FIXED ASSETS - REGULATORY BASIS

	Balance <u>Dec. 31, 2011</u>	Balance <u>Dec. 31, 2010</u>
<b>ASSETS</b>		
General Fixed Assets:		
Buildings	4,687,200.00	4,768,100.00
Land and Improvements	5,072,900.00	5,086,100.00
Machinery and Equipment	3,310,319.00	3,212,220.00
	<u>13,070,419.00</u>	<u>13,066,420.00</u>
Investment in General Fixed Assets	<u>13,070,419.00</u>	<u>13,066,420.00</u>

The accompanying notes to the financial statements are an integral part of this statement.

## **NOTES TO FINANCIAL STATEMENTS**

BOROUGH OF PAULSBORO  
NOTES TO FINANCIAL STATEMENTS  
YEAR ENDED DECEMBER 31, 2011 AND 2010

**NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

**A. Reporting Entity**

The Borough of Paulsboro was incorporated on March 2, 1904, and is located in Gloucester County, New Jersey.

The Borough has an elected Mayor and six elected council members. The Borough is managed daily by the Borough Administrator.

Except as noted below, the financial statements of the Borough of Paulsboro included every board, body, officer or commission supported and maintained wholly or in part by funds appropriated by the Borough of Paulsboro, as required by N.J.S.A. 40A:5-5.

Component units are legally separate organizations for which the Borough is financially accountable. The Borough is financially accountable for an organization if the Borough appoints a voting majority of the organization's governing board and (1) the Borough is able to significantly influence the programs or services performed or provided by the organization; or (2) the Borough is legally entitled to or can otherwise access the organization's resources; the Borough is legally obligated or has otherwise assumed the responsibility to finance the deficits of or provide financial support to the organization; or the Borough is obligated for debt of the organization. Component units may also include organizations that are fiscally dependent on the Borough in that the Borough approves the budget, the issuance of debt or the levying of the taxes. The financial statements of the component units of the Borough of Collingswood are not presented in accordance with Governmental Accounting Standards Board Statement No. 14. If the provisions of G.A.S.B.'s No. 14 had been complied with, the financial statements of the following component units would have been blended or discretely presented with the financial statements of the Borough, the primary government:

Gill Memorial Library  
145 East Broad Street  
Paulsboro, NJ 08066

**B. Description of Funds**

The accounting policies of the Borough of Paulsboro conform to the accounting principles applicable to municipalities, which have been prescribed by the Division of Local Government Services, Department of Community Affairs, State of New Jersey. Such principles and practices are designed primarily for determining compliance with legal provisions and budgetary restrictions and as a means of reporting on the stewardship of public officials with respect to public funds. Under this method of accounting, the Borough of Paulsboro accounts for its transactions through the following separate funds, which differ from the funds required by G.A.A.P.

**Current Fund** - Resources and expenditures for governmental operations of a general nature, including Federal and State grant funds.

**Trust Fund** - Receipts, custodianship and disbursement of funds in accordance with the purpose for which each reserve was created.

BOROUGH OF PAULSBORO  
NOTES TO FINANCIAL STATEMENTS  
YEAR ENDED DECEMBER 31, 2011 AND 2010

**NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**A. Description of Funds (Continued)**

**Public Assistance Trust Fund** - Receipt and disbursement of funds that provide assistance to certain residents of the Borough pursuant to Title 44 of New Jersey statutes.

**General Capital Fund** - Receipt and disbursement of funds for the acquisition of general capital facilities, other than those acquired in the Current Fund. In addition, the fund is used to track the status of debt authorized for capital projects.

**Water & Sewer Operating and Capital Funds** - Account for the operations and acquisition of capital facilities of the municipally-owned Water & Sewer Utility.

**Payroll Account** - Receipt and disbursement of funds to meet obligations to employees and payroll tax liabilities.

**General Fixed Assets** - To account for fixed assets used in governmental operations (general fixed assets) are accounted for in the general fixed assets account group, rather than in governmental fund statements.

**C. Basis of Accounting**

The accounting principles and practices prescribed for municipalities in the State of New Jersey differ in certain respects from accounting principles generally accepted in the United States of America applicable to local governmental units. The more significant policies in New Jersey follow.

A modified accrual basis of accounting is followed with minor exceptions. The more significant accounting principles are as follows:

**Revenues** - are recorded when received in cash except for certain amounts which are due from other governmental units. Receipts from Federal and State grants are realized as revenue when anticipated in the Borough budget. Receivables for property taxes are recorded with offsetting reserves on the balance sheet of the Borough's Current Fund; accordingly, such amounts are not recorded as revenue until collected. Other amounts that are due the Borough which are susceptible to accrual are also recorded as receivables with offsetting reserves and recorded as revenue when received. This method of revenue recognition differs from accounting principles generally accepted in the United States of America which recognizes revenue in the accounting period in which it is earned net of allowances for doubtful accounts.

**Expenditures** - are recorded on the "budgetary" basis of accounting. Generally, expenditures are recorded when an amount is encumbered for goods and services through the issuance of a purchase order in conjunction with the Encumbrance Accounting System. Outstanding encumbrances at December 31 are reported as a cash liability in the financial statements and constitute part of the Borough's regulatory Appropriation Reserve balance. Appropriation reserves covering unexpended appropriation balances are automatically created at December 31 of each year and recorded as liabilities, except for amounts which may be canceled by the governing body. Appropriation reserves are available until lapsed at the close of the succeeding year, to meet specific claims, commitments or contracts incurred during the preceding fiscal year. Lapsed appropriation reserves are recorded as income

BOROUGH OF PAULSBORO  
NOTES TO FINANCIAL STATEMENTS  
YEAR ENDED DECEMBER 31, 2011 AND 2010

**NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**C. Basis of Accounting (Continued)**

**Expenditures** (continued) - Appropriations for principal payments on outstanding general capital and utility bonds and notes are provided on the cash basis; interest on general capital is on the cash basis and utility capital is on the accrual basis. This method differs from accounting principles generally accepted in the United States of America which requires that expenditures be recorded when services are rendered and/or goods are received. Under accounting principles generally accepted in the United States of America appropriation reserves do not exist and encumbrances do not constitute expenditures.

**Foreclosed Property** - Foreclosed property is recorded in the Current Fund at the assessed valuation when such property was acquired and is fully reserved. Under accounting principles generally accepted in the United States of America foreclosed property would be recorded at historical cost and no reserve would be provided.

**Interfunds** - Interfund receivables in the Current Fund are recorded with offsetting reserves which are created by charges to operations. Income is recognized in the year the receivables are liquidated. Interfund receivables in the other funds are not offset by reserves. Under accounting principles generally accepted in the United States of America inter-funds are not reserved.

**Inventories of Supplies** - The costs of inventories of supplies for all funds are recorded as expenditures at the time individual items are purchased. The costs of inventories are not included on the various balance sheets. Under accounting principles generally accepted in the United States of America inventory would be recorded as an asset on the balance sheet.

**Proprietary Funds - Cash Flows Statement** - In accordance with the reporting requirements of the Division of Local Government Services, the utility funds' financial statements do not include a statement of cash flows. In accordance with reporting requirements of the Division of Local Government Services, the utility fund's financial statements do not include a statement of cash flows.

**General Fixed Assets** - In accordance with N.J.A.C. 5:30-5.6 accounting for Governmental Fixed Assets, as promulgated by the Division of Local Government Services, which differs in certain respects from generally accepted accounting principles, the Borough has developed a fixed assets accounting and reporting system.

As required by New Jersey Statutes, foreclosed property is reported in the current operating fund of the municipality.

Fixed assets used in governmental operations (general fixed assets) are accounted for in the General Fixed Assets Account Group. Public domain ("infrastructure") general fixed assets consisting of certain improvements other than buildings, such as roads, bridges, curbs and gutters, streets and sidewalks, and drainage systems are not capitalized.

BOROUGH OF PAULSBORO  
NOTES TO FINANCIAL STATEMENTS  
YEAR ENDED DECEMBER 31, 2011 AND 2010

**NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**C. Basis of Accounting (Continued)**

**General Fixed Assets** (continued) - All fixed assets are recorded at historical cost or estimated historical cost if actual historical cost is not available except for land, which is valued at estimated market value on the date of acquisition. The Borough capitalizes fixed assets with an original cost in excess of \$5,000.00.

Expenditures for construction in progress are recorded in the Capital Funds until such time as the construction is completed and put into operation.

No depreciation has been provided for in the financial statements.

Fixed assets acquired through grants in aid or contributed capital, have not been accounted for separately.

Property and equipment purchased by the Water & Sewer Utility Fund is recorded in the respective capital account at cost and are adjusted for dispositions and abandonment. The amounts shown do not purport to represent reproduction costs or current value. Contributions in aid of construction are not capitalized. The balances in Reserve for Amortization and Deferred Reserve for Amortization accounts in the Utility Capital Fund represent charges to operations, for the costs of acquisition of property, equipment and improvements. The utility does not record depreciation on fixed assets.

**General Long Term Debt** - General Long Term Debt is accounted for in the General Capital and Sewer Utility Capital Fund. Accounting principles generally accepted in the United States of America require General Long Term Debt to be accounted for in the General Long Term Debt Account Group.

**Use of Estimates** - The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America or the regulatory basis of accounting requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

**Property Taxes** - The County Board of Taxation certifies the tax levy of the municipality each year. The tax levy is based on the assessed valuation of taxable property within the municipality. Taxes are payable on the first day of February, May, August and November. Any taxes that have not been paid by the 11<sup>th</sup> day of the 11<sup>th</sup> month is the year levied, are subject to being included in the tax sale and the lien enforced by selling the property in accordance with N.J.S.A. 54:5 et. seq.

The municipality is responsible for remitting 100% of the school and county taxes to the respective agency. The loss for delinquent or uncollectible accounts is borne by the municipality and not the school district or county. The inclusion of the "Reserve for Uncollected Taxes" appropriation in the Borough's annual budget protects the Borough from those taxes not paid. The minimum amount of the reserve is determined by the percentage of collections experienced in the preceding year, is required to provide assurance that cash collected in the current year will provide sufficient cash flow to meet expected obligations. Under accounting principles generally accepted in the United States of America, a "Reserve for Uncollected Taxes" would not be an appropriation.

BOROUGH OF PAULSBORO  
NOTES TO FINANCIAL STATEMENTS  
YEAR ENDED DECEMBER 31, 2011 AND 2010

**NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**C. Basis of Accounting (Continued)**

**Interest on Delinquent Taxes** - It is the policy of the Borough to collect interest for the nonpayment of taxes or assessments on or before the date when they would become delinquent. The Tax Collector is authorized to charge eight percent (8%) per annum on the first \$1,500.00 of taxes becoming delinquent after due date and eighteen percent (18%) per annum on any amount of taxes in excess of \$1,500.00 becoming delinquent after due date and if a delinquency is in excess of \$10,000.00 and remains in arrears beyond December 31<sup>st</sup>, an additional penalty of six percent (6%) shall be charged against the delinquency. There is a ten day grace period.

**Capitalization of Interest** - It is the policy of the Borough to capitalize interest in the Water and Sewer utility Capital Fund on projects during the construction phase.

**D. Comparative Data**

Comparative total data for the prior year has been presented in the accompanying Balance Sheets and Statement of Operations in order to provide an understanding of changes in the Borough's financial position. However, comparative (i.e., presentation of prior year totals by fund type) data have not been presented in the statement of revenues – regulatory basis and the statement of expenditures – regulatory basis since their inclusion would make the statements unduly complex and difficult to read.

**NOTE 2: BUDGETARY INFORMATION**

The Borough must adopt an annual budget in accordance with N.J.S.A. 40A:4 et. al. This budget is required to be a balanced cash basis document. To accomplish this, the municipality is required to establish a reserve for uncollected taxes. This protects the Borough from taxes not paid currently. Once approved, the Borough may make emergency appropriations for a purpose which is not foreseen at the time the budget is adopted per N.J.S.A. 40A:4-46 and 54. This type of appropriation shall be made to meet a pressing need for public expenditure to protect or promote the public health, safety or welfare prior to the next succeeding fiscal year. Emergency appropriations, except those classified as a special emergency, must be raised in the budget of the succeeding year. Special emergency appropriations are permitted to be raised in the budgets of the succeeding three or five years. Budget transfers between appropriation accounts are prohibited until the last two months of the year. Budget transfers during the year were not significant. The Borough can also make amendments for any special item of revenue made available by any public or private funding source as per N.J.S.A. 40A:4-87. The following budget amendments were approved as follows:

BOROUGH OF PAULSBORO  
NOTES TO FINANCIAL STATEMENTS  
YEAR ENDED DECEMBER 31, 2011 AND 2010

**NOTE 2: BUDGETARY INFORMATION (CONTINUED)**

Current Fund

Special Item of Revenue

Donations - NuStar Asphalt Refining	6,720.00
Recycling Tonnage	7,951.27
Municipal Court Alcohol Education	269.67
Police Body Armor	2,118.94
Special Emergency	
Preparation of Tax Maps	48,000.00
	<hr/>
	65,059.88
	<hr/> <hr/>

**NOTE 3: CASH**

**Custodial Credit Risk – Deposits**

Custodial Credit Risk is the risk that in the event of a bank failure, the government's deposits may not be able to recover the value of its deposits or investments. Deposits are considered to be exposed to Custodial Credit Risk if they are: uncollateralized (securities not pledged to the depositor), collateralized with securities held by the pledging financial institution, or collateralized with securities held by the financial institution's trust department or agent but not in the government's name. The municipality's policy is based on New Jersey Statutes requiring cash to be deposited only in New Jersey based banking institutions that participate in the New Jersey Governmental Unit Deposit Protection Act (G.U.D.P.A.) or in qualified investments established in New Jersey Statutes N.J.S.A. 40A:5-15.1(a) that are treated as cash equivalents. At December 31, 2011 and 2010, the carrying amount of the Borough's deposits was \$7,540,635.39 and \$6,367,307.65, respectively. As of December 31, 2011 and 2010, \$0 of the municipality's bank balance of \$8,286,562.77 and \$6,347,529.26, respectively, was exposed to Custodial Credit Risk.

**NOTE 4: INVESTMENTS**

As of December 31, 2011, the Borough had the following investment in bond anticipation notes \$342,291.46 of which \$106,341.46 was in the Self Insurance Trust Fund and the remaining \$235,950.00 in Water and Sewer Operating Fund. The Borough did not have any investments as of December 31, 2010.

**Interest Rate Risk** - The Borough does not have a formal investment policy that limits investment maturities as a means of managing its exposure to fair value losses arising from increasing interest rates. However, New Jersey Statutes N.J.S.A. 40A:5-15.1(a) limits the length of time for most investments to 397 days.

**Credit Risk** - New Jersey Statutes N.J.S.A. 40A:5-15.1(a) limits municipal investments to those specified in the statutes. The type of allowable investments are Bonds or other obligations of the United States or obligations guaranteed by the United States, Bonds or other obligations of the Borough or bonds or other obligations of the Borough school district, Bonds or other obligations, having a maturity date not more than 397 days from the date of purchase, approved by the Division of Investment of the Department of Treasury for investment by local units, government

BOROUGH OF PAULSBORO  
 NOTES TO FINANCIAL STATEMENTS  
 YEAR ENDED DECEMBER 31, 2011 AND 2010

**NOTE 4: INVESTMENTS (CONTINUED)**

**Credit Risk** (continued) - money market mutual funds; the State of New Jersey Cash Management Plan; local government investment pools; or repurchase of fully collateralized securities.

**Concentration of Credit Risk** - The Borough places no limit on the amount the Borough may invest in any one issuer.

**Unaudited Investments**

As more fully described in Note 17, the Borough has created a Length of Service Award Program (L.O.S.A.P.) for emergency service volunteers. The L.O.S.A.P. investments are similar to those allowed in a deferred compensation program as specified in N.J.S.A. 43:15B-1 et. seq. except that all investments are retained in the name of the Borough. All investments are valued at contract value. In accordance with N.J.A.C. 5:30-14.37 the investments are maintained by Lincoln Benefit Life Company, which is the authorized provider, approved by the Division of Local Government Services. The balance in the account on December 31, 2011 and 2010, amount to \$38,917.00 and \$0, respectively. The information on 5% or more invested with Lincoln Benefit Life Company is not available.

**NOTE 5: FUND BALANCES APPROPRIATED**

	Year	Balance December 31	Utilized in Budget of Succeeding Year
Current Fund	2011	1,669,995.21	452,435.92
	2010	1,697,206.81	605,538.11
	2009	1,337,957.39	1,093,397.64
	2008	1,173,077.95	497,188.31
	2007	1,139,592.38	464,086.60
Water & Sewer Operating Fund	2011	550,827.72	350,543.00
	2010	511,962.63	343,856.00
	2009	526,799.93	399,400.00
	2008	620,082.97	383,832.00
	2007	626,769.80	280,700.00

**NOTE 6: ACCUMULATED ABSENCE BENEFITS**

Borough employees are entitled to varying amounts of sick leave depending on their contract with the Borough. American Federation of State, County and Municipal Employees (A.F.S.C.M.E.) employees are granted fifteen (15) days sick leave per year. The New Jersey State Policemen's Benevolent Association (N.J.S.P.B.A.) and Paulsboro Dispatchers Association are granted 120 hours. If any employee required none or a portion only of said allowable sick leave for any calendar year, the amount of said leave not taken shall accumulate to his/her credit from year to year, and he/she shall be entitled to said, accumulated sick leave with pay when needed.

BOROUGH OF PAULSBORO  
 NOTES TO FINANCIAL STATEMENTS  
 YEAR ENDED DECEMBER 31, 2011 AND 2010

**NOTE 6: ACCUMULATED ABSENCE BENEFITS (CONTINUED)**

An employee retiring from the Borough under the A.F.S.C.M.E. contract shall be entitled to be paid or given sick leave up to a maximum of 32% of 200 days at the current rate of pay. Employees under the N.J.S.P.B.A. and Paulsboro Police Dispatchers contract are granted a maximum of 32% of 1200 hours of sick time.

The Borough has entered into a duly negotiated and approved labor agreement with the PBA Local #122 and A.F.S.C.M.E. 3103C. The Borough also has local personnel policy that covers all non-union personnel. The value of these earned and unused employee benefits, has not been accrued by either charges to operations or to budgets of the prior years. The realization of the liability may be affected by conditions that could preclude an employee from receiving full payment of the accrual. The Borough established a budget of \$45,000.00 to fund this reserve, however, the funds were not transferred until 2012.

The total value of compensated absences owed to employees as of December 31, 2011 and 2010, under the various labor agreements are as follows:

	Value	
	12/31/2011	12/31/2010
PBA Local 122	136,209.63	149,404.34
A.F.S.C.M.E.	43,475.54	49,414.12
Non-union	86,711.23	86,891.10
	266,396.40	285,709.56

**NOTE 7: FIXED ASSETS**

The following is a summary of changes in the General Fixed Assets Account Group for the year ended December 31, 2011:

	Balance	Additions	Deletions	Balance
	12/31/2010			12/31/2011
Land	5,086,100.00	33,200.00	46,400.00	5,072,900.00
Buildings/Improvements	4,768,100.00	37,800.00	118,700.00	4,687,200.00
Machinery & Equipment	3,212,220.00	121,398.00	23,299.00	3,310,319.00
	13,066,420.00	192,398.00	188,399.00	13,070,419.00

BOROUGH OF PAULSBORO  
NOTES TO FINANCIAL STATEMENTS  
YEAR ENDED DECEMBER 31, 2011 AND 2010

**NOTE 8: TAXES COLLECTED IN ADVANCE**

Taxes collected in advance are recorded as cash liabilities in the financial statements: The following is a comparison of the liability for the current and previous year:

	Balance	
	12/31/2011	12/31/2010
Prepaid Taxes - Cash Liability	64,741.18	353,540.49

**NOTE 9: INTERFUND RECEIVABLES AND PAYABLES**

The following schedule reconciles interfund receivables and payables for the year ended December 31, 2011:

	Due	
	From	To
Current Fund		
Federal and State Grant Fund	7,430.08	
General Capital Fund	10,000.00	
Donations - Community Events	45.54	
Developer's Escrow Trust Funds	18.71	
Federal and State Grant Fund		
Current Fund		7,430.08
Parking Offense Adjudication		
Tax Sale Premium Trust	2.00	
Tax Sale Premium Trust		
Parking Offense Adjudication		2.00
Donations - Community Events		
Current Fund		45.54
Developer's Escrow Trust Funds		
Current Fund		18.71
General Capital Fund		
Current Fund		10,000.00
	17,496.33	17,496.33

The amount due from Federal and State Grant Fund to Current Fund is due to the fact that there is only one bank account maintained. The amount due from General Capital Fund to Current Fund is from a 2007 bond anticipation note paydown that was not transferred. The other interfunds are for interest earned but not transferred.

BOROUGH OF PAULSBORO  
 NOTES TO FINANCIAL STATEMENTS  
 YEAR ENDED DECEMBER 31, 2011 AND 2010

**NOTE 10: ECONOMIC DEPENDENCY**

The Borough of Paulsboro is not economically dependent on any one business or industry within the Borough.

**NOTE 11: LONG-TERM DEBT**

**Summary of Municipal Debt Service**

Long-term debt as of December 31, 2011, consisted of the following:

	Year		
	2011	2010	2009
Bonds, Notes and Loans Issued	12,717,054.94	7,150,150.95	7,004,895.40
Bonds and Notes Authorized but not Issued	3,763,317.00	8,180,917.00	3,710,827.00
Net Bonds, Notes and Loans Issued and Authorized but not Issued	<u>16,480,371.94</u>	<u>15,331,067.95</u>	<u>10,715,722.40</u>

	Balance Dec. 31, 2010	Issued/ Authorized	Retired/ Reduction	Balance Dec. 31, 2011
<b>ISSUED:</b>				
General:				
Loan Payable - Berkadia	135,700.95		10,937.47	124,763.48
Serial Bonds	3,435,000.00		160,000.00	3,275,000.00
Bond Anticipation Notes	1,894,450.00	634,000.00	279,158.54	2,249,291.46
Water & Sewer				
Bond Anticipation Notes	1,685,000.00	5,420,500.00	37,500.00	7,068,000.00
Net Debt Issued	<u>7,150,150.95</u>	<u>6,054,500.00</u>	<u>487,596.01</u>	<u>12,717,054.94</u>
<b>AUTHORIZED BUT NOT ISSUED:</b>				
General:				
Bond Anticipation Notes	1,513,917.00	730,800.00	634,000.00	1,610,717.00
Water & Sewer				
Bond Anticipation Notes	6,667,000.00	906,100.00	5,420,500.00	2,152,600.00
Authorized but not Issued	<u>8,180,917.00</u>	<u>1,636,900.00</u>	<u>6,054,500.00</u>	<u>3,763,317.00</u>
Total Debt Issued and Authorized but not Issued	<u>15,331,067.95</u>	<u>7,691,400.00</u>	<u>6,542,096.01</u>	<u>16,480,371.94</u>

\$300,000.00 Berkadia Loan for the construction of the municipal building dated December 23, 1980, payable in semi-annual installments through December 2020. Interest is paid at a rate of 5% per annum. The balance remaining at December 31, 2011, was \$124,763.48.

BOROUGH OF PAULSBORO  
NOTES TO FINANCIAL STATEMENTS  
YEAR ENDED DECEMBER 31, 2011 AND 2010

**NOTE 11: LONG-TERM DEBT (CONTINUED)**

**Summary of Municipal Debt Service (Continued)**

\$3,575,000.00 Serial Bonds for Tax Refunding Payment dated July 15, 2009, payable in semi-annual installments through July 2024. Interest is paid at a rate of 2.5% to 4.375% per annum. The balance remaining at December 31, 2011, was \$3,275,000.00.

Schedule of Annual Debt Service for Principle and Interest for Bonded Debt Issued and Outstanding

Year Ended December	Principle	Interest	Total
Berkadia Loan			
Current Fund			
2012	11,319.57	6,098.43	17,418.00
2013	11,892.63	5,525.37	17,418.00
2014	12,494.69	4,923.31	17,418.00
2015	13,127.24	4,290.76	17,418.00
2016	13,791.80	3,626.20	17,418.00
2017-2020	62,137.55	7,160.19	69,297.74
	<u>124,763.48</u>	<u>31,624.26</u>	<u>156,387.74</u>

Year Ended December	Principle	Interest	Total
General Serial Bonds			
Current Fund			
2012	175,000.00	123,800.00	298,800.00
2013	200,000.00	119,425.00	319,425.00
2014	220,000.00	113,425.00	333,425.00
2015	225,000.00	106,825.00	331,825.00
2016	235,000.00	99,793.76	334,793.76
2017-2021	1,300,000.00	359,312.50	1,659,312.50
2022-2024	920,000.00	80,856.26	1,000,856.26
	<u>3,275,000.00</u>	<u>1,003,437.52</u>	<u>4,278,437.52</u>

**Summary of Statutory Debt Condition – Annual Debt Statement**

The summarized statement of debt condition which follows is prepared in accordance with the required method of setting up the Annual Debt Statement and indicates a statutory net debt of 1.56%.

BOROUGH OF PAULSBORO  
 NOTES TO FINANCIAL STATEMENTS  
 YEAR ENDED DECEMBER 31, 2011 AND 2010

**NOTE 11: LONG-TERM DEBT (CONTINUED)**

**Summary of Statutory Debt Condition – Annual Debt Statement (Continued)**

	Gross Debt	Deductions	Net Debt
Local School District Debt	790,740.00	790,740.00	
Water & Sewer	9,220,600.00	9,220,600.00	
General Debt	7,259,771.94		7,259,771.94
	<u>17,271,111.94</u>	<u>10,011,340.00</u>	<u>7,259,771.94</u>

Net Debt of \$7,259,771.94/Equalized Valuation Basis per N.J.S.A. 40A:2-2 as amended \$464,954,521.00 = 1.56%.

**Borrowing Power Under N.J.S.A. 40:A2-6 As Amended**

3 1/2% of Equalized Valuation Basis (Municipal)	16,273,408.24
Net Debt	<u>7,259,771.94</u>
Remaining Borrowing Power	<u><u>9,013,636.30</u></u>

**Calculation of “Self-Liquidating Purpose” Water & Sewer Utility per N.J.S.A. 40:2-45**

Cash Receipts from Fees, Rents, or Other Charges	1,933,368.33
Deductions:	
Operating and Maintenance Costs	1,545,832.00
Debt Service per Water & Sewer Account	<u>64,024.00</u>
	<u>1,609,856.00</u>
Excess in Revenue	<u><u>323,512.33</u></u>

**NOTE 12: NOTES PAYABLE**

The Borough has the following notes outstanding at December 31, 2011, a General Capital bond anticipation note in the amount of \$106,341.46, payable to the Borough of Paulsboro Insurance Trust Fund. This note will mature on March 25, 2012, at an interest rate per annum of 0%. There is another General Capital bond anticipation note in the amount of \$167,950.00, payable to the Borough of Paulsboro Water & Sewer Operating Fund. This note will mature on December 16, 2012, at an interest rate per annum of 0%. The third General Capital bond anticipation note in the amount of \$1,341,000.00, payable to Oppenheimer & Company Inc. This note will mature on July 13, 2012, at an interest rate per annum of 1.35%. There is a Water and Sewer Capital bond anticipation note in the amount of \$68,000.00, payable to Borough of Paulsboro Water & Sewer Operating Fund. This note will mature on December 16, 2012, at an interest rate per annum of 0%. There is another Water and Sewer Capital bond anticipation note in the amount of \$7,000,000.00, payable to Oppenheimer & Company Inc. This note will mature on July 13, 2012, at an interest rate per annum of 1.35%.

BOROUGH OF PAULSBORO  
NOTES TO FINANCIAL STATEMENTS  
YEAR ENDED DECEMBER 31, 2011 AND 2010

**NOTE 13: PENSION FUNDS**

**Description of Plans** - All eligible employees of the Borough are covered by the Public Employees' Retirement System, (P.E.R.S.), a cost-sharing, multiple-employer defined benefit pension plan which has been established by state statute and is administered by the New Jersey Division of Pension and Benefits (Division). According to the State of New Jersey Administrative Code, all obligations of the System will be assumed by the State of New Jersey should the Systems terminate. The Division issues a publicly available financial report that includes the financial statements and required supplementary information for the Public Employees' Retirement System. The reports may be obtained by writing to the Division of Pensions and Benefits, PO Box 295, Trenton, New Jersey 08625 or can be accessed on the internet at [http://www.state.nj.us/treasury/pensions/annrpts\\_archieve.htm](http://www.state.nj.us/treasury/pensions/annrpts_archieve.htm).

**Public Employees' Retirement System (P.E.R.S.)** - The Public Employees' Retirement System (P.E.R.S.) was established as of January 1, 1955, under the provisions of N.J.S.A. 43:15A to provide retirement, death disability and medical benefits to certain qualified members. The Public Employees' Retirement System is a cost-sharing, multiple-employer plan. Membership is generally required for substantially all full-time employees of the State or any county, municipality, school district or public agency provided the employee is not a member of another state-administered retirement system or other state or local jurisdiction.

**Police and Firemen's Retirement System (P.F.R.S.)** - The Police and Firemen's Retirement System was established in July 1944 under the provisions of N.J.S.A. 43:16A to provide coverage to substantially all full-time county or municipal police and fire-fighters and State fire-fighters appointed after June 30, 1944. Plan members and employer contributions may be amended by State of New Jersey legislation.

**Funding Policy** - The contribution policy is set by N.J.S.A. 43:15A, Chapter 62, P.L. of 1994, Chapter 115, P.L. of 1997, and N.J.S.A. 18:66 and requires contributions by active members and contributing employers. Plan member and employer contributions may be amended by State of New Jersey legislation. P.E.R.S. provide for employee contributions of 5.5% through September 30, 2011, and 6.5% thereafter of employees' annual compensation, as defined. P.F.R.S. provides for employee contributions of 8.5% through September 30, 2011, and 10% thereafter of employees' annual compensation, as defined. Employers are required to contribute at an actuarially determined rate in P.E.R.S. and P.F.R.S. The P.E.R.S. and P.F.R.S. rates in effect for 2011 are 11.05% and 29.36%, respectively, of covered payroll, respectively as reported on June 30, 2009. The actuarially determined contribution includes funding for, cost-of-living adjustments, noncontributory death benefits, and post-retirement medical premiums. The Borough's contributions to P.E.R.S. for the years ending December 31, 2011, 2010 and 2009, were \$167,874.00, \$168,725.00 and \$117,065.00, respectively, equal to the required contributions for each year. The Borough's contributions to P.F.R.S. for the years ending December 31, 2011, 2010 and 2009, were \$410,750.00, \$324,094.00 and \$281,065.00, respectively, equal to the required contributions for each year.

**Defined Contribution Retirement Program (D.C.R.P.)** - The Borough has not established a Defined Contribution Retirement Program. Employers are required to contribute 3% of the employees' base salary. The Borough's has not had contributions to D.C.R.P. for the years ending December 31, 2011, 2010 and 2009.

BOROUGH OF PAULSBORO  
 NOTES TO FINANCIAL STATEMENTS  
 YEAR ENDED DECEMBER 31, 2011 AND 2010

**NOTE 14: POST-RETIREMENT BENEFITS**

The Borough of Paulsboro contributes to the Southern New Jersey Regional Employee Benefits Fund (S.N.J.R.E.B.F), a cost-sharing, multiple-employer defined benefit post-employment healthcare plan. S.N.J.R.E.B.F. was established in 1992, under N.J.S.A. 52:14-17.25 et seq., to provide health benefits to State employees, retirees, and their dependents. Rules governing the operation and administration of the program are found in Title 17, Chapter 9 of the New Jersey Administrative Code. S.H.B.P. provides medical, prescription drugs, mental health/substance abuse, and Medicare Part B reimbursement to retirees and their covered dependents. The Fund was extended to employees, retirees, and dependents of participating local public employers in 2009. Local employers must adopt a resolution to participate in the Fund.

**Plan Description**

In 2009 the Borough of Paulsboro authorized participation in the Fund's post-retirement benefit program through resolution 45.09 adopted January 22, 2009, effective April 1, 2009 through March 31, 2012. The Borough's policies provide for health insurance to eligible retirees and their spouses that participate in the Fund's post-retirement benefit program with the local unit.

**Funding Policy** - The plan is non-contributory for employees/retirees and their dependents. Participating employers are contractually required to contribute based on the amount of premiums attributable to their retirees on a pay-as-you-go basis. Contributions to pay for the health premiums of participating retirees in the S.N.J.R.E.B.F. are billed to the Borough of Paulsboro on a monthly basis. For calendar year 2011, the Borough's contribution was \$280.3 (dollar amounts in thousands) to the plan for current premiums. Plan members receiving benefits are not required to make contributions.

**Annual O.P.E.B. Cost and Net O.P.E.B. Obligation** - The Borough's annual other postemployment benefit (O.P.E.B.) cost (expense) is calculated based on the *annual required contribution of the employer (A.R.C.)*, an amount actuarially determined in accordance with the parameters of G.A.S.B. Statement 45. The A.R.C. represents a level of funding that, if paid on an ongoing basis, is projected to cover normal cost each year and amortize any unfunded actuarial liabilities (or funding excess) over a period not to exceed thirty years. The following table shows the components of the Borough's annual O.P.E.B. cost for the year, the amount actually contributed to the plan, and changes in the Borough's net O.P.E.B. obligation to the plan (dollar amounts in thousands):

Annual Required Contribution (thousands)	\$4,381
Interest on Net O.P.E.B. Obligation	\$ 0
Adjustment to Annual Required Contribution	<u>\$ 0</u>
Annual O.P.E.B. Cost (Expense) (thousands)	\$4,381
Contributions Made (thousands)	<u>\$ 280</u>
Increase in Net O.P.E.B. Obligation (thousands)	\$4,101
Net O.P.E.B. Obligation-Beginning of Year (thousands)	<u>\$4,229</u>
Net O.P.E.B. Obligation-End of Year (thousands)	<u>\$8,330</u>

BOROUGH OF PAULSBORO  
 NOTES TO FINANCIAL STATEMENTS  
 YEAR ENDED DECEMBER 31, 2011 AND 2010

**NOTE 14: POST-RETIREMENT BENEFITS (CONTINUED)**

**Annual O.P.E.B. Cost and Net O.P.E.B. Obligation – (Continued)**

The Borough’s most recent actuarial valuation to determine A.R.C. was performed for the year ended December 31, 2009. The next actuarial valuation is expected to be performed for the year ended December 31, 2012. G.A.S.B. 45 permits the calculation of A.R.C. in the intervening years to be based on the annual rate of inflation. In determining the A.R.C. for the year ended 2011, the Borough utilized the US Bureau of Labor Statistics annual report on inflation for medical care costs, which yielded a rate of inflation of 3.6%.

The Borough’s annual O.P.E.B. cost, the percentage of annual O.P.E.B. cost contributed to the plan, and the net O.P.E.B. obligation for 2011 was as follows (dollar amounts in thousands):

Calendar Year Ended	Annual O.P.E.B. Cost (Thousands)	Percentage of Annual O.P.E.B. Cost Contributed	Net O.P.E.B. Obligation (Thousands)
12/31/2011	\$4,381	6.40%	\$4,101

**Funded Status and Funding Progress** - As of December 31, 2011, the Borough is considered to be an unfunded plan. There are no plan assets. The retiree benefits are paid annually on a cash basis.

Actuarial valuations of an ongoing plan involve estimates of the value of reported amounts and assumptions about the probability of occurrence of events far into the future. Examples include assumptions about future employment, mortality, and the healthcare cost trend.

The Actuarial Accrued Liability (“A.A.L.”) is the present value of all future expected postretirement medical payments and administrative costs which are attributable to past service. The Borough’s unfunded A.A.L. is calculated to be \$28,778 (thousands) as of December 31, 2009.

**Actuarial Methods and Assumptions** - Projections of benefits for financial reporting purposes are based on the substantive plan (the plan as understood by the employer and the plan members) and include the types of benefits provided at the time of each valuation and the historical pattern of sharing of benefit costs between the employer and plan members to that point. The actuarial methods and assumptions used include techniques that are designed to reduce the effects of short-term volatility in actuarial accrued liabilities and the actuarial value of assets, consistent with the long-term perspective of the calculations.

In the December 31, 2009, actuarial valuation, the entry age actuarial cost method and the level percentage of payroll amortization method.

BOROUGH OF PAULSBORO  
 NOTES TO FINANCIAL STATEMENTS  
 YEAR ENDED DECEMBER 31, 2011 AND 2010

**NOTE 15: RISK MANAGEMENT**

The Borough is exposed to various risks or loss related to torts, thefts of, damage to, and destruction of assets, errors and omissions, injuries to employees, and natural disasters. The Borough maintains commercial insurance coverage for property, liability and surety bonds. The Borough of Paulsboro is a member of the Gloucester, Salem and Cumberland Counties Municipal Joint Insurance Fund and the Municipal Excess Liability Fund which includes other municipalities throughout the region. The Borough is obligated to remit insurance premiums into these funds for sufficient insurance coverage.

There is an unknown contingent liability with the Gloucester, Salem and Cumberland Counties Municipal Joint Insurance Fund if there is a catastrophic insurance claim from any member of the fund. There have not been any claims in excess of coverage and no reduction in coverage during the year 2011.

**NOTE 16: LEASE OBLIGATIONS**

The Borough has lease agreements in effect at December 31, 2011, for Police Cars through Ford Motor Credit. The chipper lease is for ten years with interest from 2.5% to 3.8%. Future minimum lease payments under capital lease agreements are as follows:

Year Ended December	Principle	Interest	Total
2012	23,761.16	0.00	23,761.16
2013	21,552.07	2,209.09	23,761.16
2014	22,629.77	1,131.39	23,761.16
	67,943.00	3,340.48	71,283.48

**NOTE 17: LENGTH OF SERVICE AWARD PROGRAM**

The Borough's Length of Service Awards Program (L.O.S.A.P.) was created by a Borough ordinance, which was adopted on September 2, 2008, in accordance with Chapter 338 of the Laws of 1997. The voters of the Borough of Paulsboro approved the adoption of the L.O.S.A.P. November 2008. This plan is available to all bona fide eligible volunteers who are performing qualified services which are defined as fire fighting and prevention services, emergency medical services and ambulance services pursuant to section 457 of the Internal Revenue Code of 1986, as amended, except for provisions added by reason of the L.O.S.A.P. as enacted into federal law in 1997. The establishment of this L.O.S.A.P. also complies with New Jersey Public Law of 1997, Chapter 388 and the L.O.S.A.P. document. The balance is held in trust for the exclusive benefit of the participating employees and not be accessible by the Borough or its creditors. Since the Borough, does not have a fiduciary relationship with the L.O.S.A.P., the balances and activities of the L.O.S.A.P. are not reported in the Borough's financial statements. The Borough paid \$20,700.00 and \$18,400.00 in 2011 for plan years 2009 and 2010, respectively. The Borough appointed Lincoln Financial as the administrator for this plan on December 7, 2010. In June 2012 the Borough contributed on behalf of the participants who qualified for the 2011 calendar year.

BOROUGH OF PAULSBORO  
 NOTES TO FINANCIAL STATEMENTS  
 YEAR ENDED DECEMBER 31, 2011 AND 2010

**NOTE 18: LABOR CONTRACTS**

As of December 31, 2011, the Borough's employees are organized in the following collective bargaining units. Contracts are continually being negotiated and the following table shows their current status.

	Category	Expiration	Covers
AFSCME #71	Public Works, Clerical	12/31/2009	All Employees in Public Works and Clerical Workers Excluding Supervisors
FOP Lodge #122	Police	1/1/2009	All Uniformed Police Excluding the Chief

**NOTE 19: DEFERRED CHARGES TO BE RAISED IN SUCCEEDING BUDGETS**

	Balance Dec. 31, 2011	2012 Budget Appropriation	Budgets of Succeeding Years
Current Fund: Special Emergency	48,000.00	4,000.00	44,000.00

**NOTE 20: PROPERTY TAX INFORMATION**

	2011	2010	2009
Tax Rate	5.0960	5.1220	4.8440
Apportionment of Tax Rate			
Municipal	1.9730	2.005	2.238
Municipal Library	0.0620		
County	1.0160	0.980	0.572
County Open Space	0.0820	0.077	0.060
Local School	1.9630	2.060	1.974
Assessed Valuation	250,415,226	239,488,497	248,578,531

**COMPARISON OF TAX LEVIES AND COLLECTIONS CURRENTLY**

A study of this tabulation could indicate a possible trend in future tax levies. A decrease in the percentage of current collections could be an indication of probable increase in future tax levies.

	2011	2010	2009
Tax Levy	12,765,850.31	12,295,865.58	12,394,760.56
Cash Collections	12,126,191.28	11,596,519.36	11,396,560.77
Percentage of Collections	94.99%	94.31%	91.95%

BOROUGH OF PAULSBORO  
 NOTES TO FINANCIAL STATEMENTS  
 YEAR ENDED DECEMBER 31, 2011 AND 2010

**NOTE 20: PROPERTY TAX INFORMATION (CONTINUED)**

**DELINQUENT TAXES AND TAX TITLE LIENS**

This tabulation includes a comparison, expressed in percentage, of the total of delinquent taxes and tax title liens, in relation to the tax levies of the last three years.

	2011	2010	2009
Amount of Tax Title Liens	243,138.37	209,679.38	139,982.71
Delinquent Taxes	604,316.02	655,244.19	687,192.46
Total Delinquent	847,454.39	864,923.57	827,175.17
Percentage of Tax Levy	6.64%	7.03%	6.67%

**PROPERTY ACQUIRED BY TAX TITLE LIEN LIQUIDATION**

The value of property acquired by liquidation of tax title liens on December 31 on the basis of the last assessed valuation of such properties was as follows:

	2011	2010	2009
Property Acquired for Taxes (Assessed Valuation)	494,600.00	494,600.00	494,600.00

**NOTE 21: WATER AND SEWER RENTS**

<b>WATER &amp; SEWER</b>	2011	2010	2009
Balance January 1	445,581.47	405,321.29	266,498.44
Levy	1,456,342.30	1,416,870.87	1,361,097.27
Cash Collections	1,451,379.19	1,365,444.92	1,214,287.66
Percentage of Collections	76.31%	74.93%	74.61%

**NOTE 22: COMMITMENTS AND CONTINGENCIES**

During the normal course of operations, lawsuits are brought against the Borough. In order to minimize the cost to the budget the Borough has established a self- insurance fund. The Borough appropriates funds as deemed necessary each year to build the reserve. The self- insurance fund was established to fund the following items: to insure against any loss or damage however caused to any property, motor vehicles, equipment or apparatus owned by it, or owned by or under the control of any of its departments, boards, agencies or commissions; to insure against liability resulting from the use or operation of motor vehicles, equipment or apparatus owned by or controlled by it, or owned by or under the control of any of its departments, boards, agencies or commissions; to insure against liability for its negligence and that of its officers and employees; to insure against any loss or damage from liability as established by chapter 15 of Title 34 of the Revised Statutes. The Borough does not have any Incurred but not Reported amounts as of the end of the year. The Borough has not encumbered any funds as a potential liability against the Reserve for Self Insurance in the Trust Fund. The Reserve for Self-Insurance as of December 31, 2011, was \$396,129.86. On May 1, 2012, the Borough paid \$94,524.28 as a result of a judgment in a lawsuit against the Borough. This amount was paid from the Self-Insurance Trust Fund.

BOROUGH OF PAULSBORO  
NOTES TO FINANCIAL STATEMENTS  
YEAR ENDED DECEMBER 31, 2011 AND 2010

**NOTE 23: SUBSEQUENT EVENTS**

On June 19, 2012, the Borough had settlement on two loans with United States Department of Agriculture in the amount of \$2,835,000.00 and \$656,000.00. These loans are for a period of 40 years with interest rates of 2.375% and 2.5%, respectively. The loan proceeds will be used to pay down callable notes in the amount of \$3,495,000.00 with Oppenheimer & Company LLC which was due to mature on July 13, 2012.

**NOTE 24: LITIGATION**

The Borough participates in federal and state assisted grant programs. The Borough is potentially liable for expenditures which may be disallowed pursuant to the terms of these grant programs. Management is not aware of any material items of noncompliance which would result in the disallowance of program expenditures.

It is the Borough of Paulsboro Counsel's opinion there is litigation involving environmental assessments and potential remediation of property within the Borough. There are other contingent liabilities that are pending against the Borough of Paulsboro. The attorney is not able to evaluate the likelihood of an unfavorable outcome and/or an estimate of the range of potential loss that would have an adverse effect on the financial position in the future.

## **SUPPLEMENTARY DATA**

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## **REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS**

Honorable Mayor and Members  
of the Borough Council  
Borough of Paulsboro  
1211 Delaware Street  
Paulsboro, New Jersey 08066

We have audited the financial statements – regulatory basis of the Borough of Paulsboro, New Jersey as of and for the year ended December 31, 2011, and have issued our report thereon dated June 21, 2012. Our report disclosed that, as described in Note 1 to the financial statements – regulatory basis, the Borough of Paulsboro, New Jersey prepares its financial statements on a basis of accounting prescribed by the Division of Local Government Services, Department of Community Affairs, State of New Jersey, that demonstrates compliance with a modified accrual basis of accounting and the budget laws of the State of New Jersey, which practices differ from accounting principles generally accepted in the United States of America. We conducted our audit in accordance with auditing standards generally accepted in the United States of America, and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, and audit requirements as prescribed by the Division of Local Government Services, Department of Community Affairs, State of New Jersey (the “Division”).

### **Internal Control over Financial Reporting**

Management of the Borough of Paulsboro, is responsible for establishing and maintaining effective internal control over financial reporting. In planning and performing our audit, we considered the Borough of Paulsboro’s internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinion on the financial statements – regulatory basis, but not for the purpose of expressing an opinion on the effectiveness of the Borough of Paulsboro’s internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the Borough of Paulsboro’s internal control over financial reporting.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect and correct misstatements on a timely basis. A material weakness is a deficiency, or combination of deficiencies in internal control such that there is a reasonable possibility that a material misstatement of the Borough’s financial statements will not be prevented, or detected and corrected on a timely basis.

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph and was not designed to identify all deficiencies in internal control over financial reporting that might be significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses, as defined above.

**Compliance and Other Matters**

As part of obtaining reasonable assurance about whether the Borough of Paulsboro, New Jersey's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards* or the requirements of the Division of Local Government Services which is described in the accompanying schedule of findings and recommendations as items 2011-2, 2011-3 and 2011-4.

This report is intended solely for the information and use of management, the Borough Council, federal and state awarding agencies and pass-through entities and the Division of Local Government Services, Department of Community Affairs, State of New Jersey and is not intended to be and should not be used by anyone other than these specified parties.

PETRONI & ASSOCIATES LLC



Nick L. Petroni  
Certified Public Accountant  
Registered Municipal Accountant #252

June 21, 2012

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## **REPORT ON COMPLIANCE WITH REQUIREMENTS THAT COULD HAVE A DIRECT AND MATERIAL EFFECT ON EACH MAJOR PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE IN ACCORDANCE WITH O.M.B. CIRCULAR A-133 AND NEW JERSEY STATE TREASURY CIRCULAR LETTER 04-04 O.M.B.**

Honorable Mayor and Members  
of the Borough Committee  
Borough of Paulsboro  
1211 Delaware Street  
Paulsboro, New Jersey 08066

### **Compliance**

We have audited the Borough of Paulsboro's compliance with the types of compliance requirements described in the *U.S. Office of Management and Budget (O.M.B.) Circular A-133 Compliance Supplement* and the provisions of the *New Jersey State Aid/Grant Compliance Supplement Circular Letter 04-04 O.M.B.*, that could have a direct and material effect on each of the Borough of Paulsboro's major federal and state programs for the year ended December 31, 2011. Our report disclosed that, as described in Note 1 to the financial statements – regulatory basis, the Borough of Paulsboro, New Jersey prepares its financial statements on a basis of accounting prescribed by the Division of Local Government Services, Department of Community Affairs, State of New Jersey, that demonstrates compliance with a modified accrual basis of accounting and the budget laws of the State of New Jersey, which practices differ from accounting principles generally accepted in the United States of America. The Borough of Paulsboro's major federal and state programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs. Compliance with the requirements of laws, regulations, contracts and grants applicable to each of its major federal and state programs is the responsibility of the Borough of Paulsboro's management. Our responsibility is to express an opinion on the Borough of Paulsboro's compliance based on our audit.

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; O.M.B. Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*; audit requirements as prescribed by the State of New Jersey; and the provisions of the New Jersey State Treasury Circular Letter 04-04 O.M.B., "*Single Audit Policy for Recipients of Federal Grants, State Grants, and State Aid.*" Those standards, O.M.B. Circular A-133 and the New Jersey State Treasury Circular Letter 04-04-O.M.B., require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a

major federal and state program occurred. An audit includes examining, on a test basis, evidence about the Borough of Paulsboro's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination on the Borough of Paulsboro's compliance with those requirements.

In our opinion, the Borough of Paulsboro complied, in all material respects, with the requirements referred to above that are applicable to each of its major federal and state programs for the year ended December 31, 2011.

As described in item 2011-1 in the accompanying schedule of findings and questioned costs, the Borough of Paulsboro did not comply with requirements regarding reporting that are applicable to its ARRA – Public Works Grant. Compliance with such requirements is necessary, in our opinion, for the Borough of Paulsboro, to comply with the requirements applicable to that program.

In our opinion, except for the noncompliance described in the preceding paragraph, the Borough of Paulsboro complied, in all material respects, with the compliance requirements referred to above that could have a direct and material effect on each of its major federal and state programs for the year ended December 31, 2011.

### **Internal Control Over Compliance**

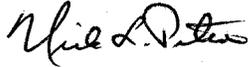
The management of the Borough of Paulsboro is responsible for establishing and maintaining effective internal control over compliance with requirements of laws, regulations, contracts and grants applicable to federal and state programs. In planning and performing our audit, we considered the Borough of Paulsboro's internal control over compliance with requirements that could have a direct and material effect on a major federal and state program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance and to test and report on internal control over compliance in accordance with O.M.B. Circular A-133 and the New Jersey State Treasury Circular Letter 04-04-O.M.B., but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the Borough of Paulsboro's internal control over compliance.

A deficiency in internal control over compliance exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect and correct, noncompliance with a type of compliance requirement of a federal and state program on a timely basis. A material weakness in internal control over compliance is a deficiency, or combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal and state program will not be prevented, or detected and corrected, on a timely basis. We consider the deficiency in internal control over compliance described in the accompanying schedule of findings and questioned costs as item 2011-1 to be a material weakness.

A significant deficiency in internal control over compliance is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal or state program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance. We did not identify any deficiencies in internal control over compliance that we consider to be significant deficiencies, as described above.

This report is intended solely for the information and use of management, the Borough Committee, federal and state awarding agencies and pass-through entities and the Division of Local Government Services, Department of Community Affairs, State of New Jersey and is not intended to be and should not be used by anyone other than these specified parties.

PETRONI & ASSOCIATES LLC



Nick L. Petroni  
Certified Public Accountant  
Registered Municipal Accountant #252

June 21, 2012

BOROUGH OF PAULSBORO  
 SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS  
 FOR THE YEAR ENDED DECEMBER 31, 2011

State Funding Department/Program	Federal CFDA Number	State Grant Number	Program Amount	Funds Received	Grant Period		Amount of Expenditures	Cumulative Expenditures
					From	To		
Department of Agriculture:								
Water and Waste Disposal Systems for Rural Communities								
ARRA - Water System Improvements - Grant	10.781	12-1980	1,502,000.00		09/09/10	complete		
ARRA - Water System Improvements - Loan	10.781	12-1980	2,835,000.00		09/09/10	complete	1,841,553.18	2,835,000.00
Water System Improvements - Grant II	10.760	N/A	250,000.00		02/28/11	complete		
Water System Improvements - Loan II	10.760	N/A	656,000.00		02/28/11	complete	518,142.01	518,142.01
Water Storage Tank - Loan	10.760	N/A	445,000.00		09/09/10	complete	104,286.44	104,286.44
Department of Commerce:								
ARRA - Public Works Grant	11.300	01-01-08377	1,830,000.00		07/06/10	08/06/13	714,676.95	1,074,049.29
ARRA - Public Works Grant - Water Tank	11.300	01-01-08861	1,541,200.00		09/06/06	01/31/12		
Department of Justice:								
COPS Hiring Recovery Program	16.710	2009RKWX0628	206,900.00	62,000.00	07/01/09	06/30/12	59,440.24	101,746.92
Department of Homeland Security:								
Buffer Zone Protection Program	97.078	2009-BF-T9-0041	85,600.00		06/04/10	03/31/12	85,227.20	85,227.20
Department of Housing & Urban Development:								
Passed through State of New Jersey								
Department of Community Affairs								
C.D.B.G. - Small Cities	14.228	N/A	75,000.00		07/01/09	complete	26,986.10	41,986.10
C.D.B.G. - Small Cities	14.228	N/A	85,000.00		07/01/10	complete	2,307.96	2,307.96
C.D.B.G. - Small Cities	14.228	N/A	184,460.00		01/01/08	complete	10,499.08	184,460.00
Department of Transportation:								
ARRA - Transportation Enhancement Program	20.205	10-DT-BLA-542	425,090.00		07/28/09	02/17/12		299,040.46
				<u>62,000.00</u>			<u>3,363,119.16</u>	<u>714,768.64</u>

BOROUGH OF PAULSBORO  
SCHEDULE OF EXPENDITURES OF STATE FINANCIAL ASSISTANCE  
FOR THE YEAR ENDED DECEMBER 31, 2011

State Funding Department/Program	State Grant Number	Program Amount	Matching Funds	Funds Received	Grant Period		Amount of Expenditures	Cumulative Expenditures
					From	To		
Department of Community Affairs		10,854.00	2,713.00	5,148.62	01/01/11	12/31/11	13,567.00	13,567.00
Municipal Alliance on Alcoholism & Drug Abuse	N/A	10,854.00	2,714.00	9,465.00	01/01/10	12/31/10	1,497.39	13,568.00
		8,854.00	2,214.00		01/01/08	12/31/08		11,032.70
		8,854.00	2,214.00		01/01/07	12/31/07		10,937.72
		8,879.00	2,220.00		01/01/05	12/31/05		10,599.00
		8,879.00	2,220.00		01/01/04	12/31/04		10,617.96
		8,879.00	2,220.00		01/01/03	12/31/03		10,829.20
		8,879.00	2,220.00		01/01/02	12/31/02		10,889.90
		8,879.00	2,220.00		01/01/01	12/31/01		10,613.57
Clean Communities	4900-765-042-4900-004-VCMC-6020	10,382.60		10,382.60	01/01/11	12/31/11	10,382.51	10,382.51
		11,264.59			01/01/10	12/31/10		11,025.00
		8,419.24			01/01/08	12/31/08		5,212.31
		7,895.16			01/01/07	12/31/07		2,556.67
		6,158.35			01/01/06	12/31/06		3,911.35
		5,873.70			01/01/05	12/31/05		5,355.15
		5,910.44			01/01/04	12/31/04		5,369.00
		5,698.78			01/01/03	12/31/03		5,207.28
		1,545.05			01/01/02	12/31/02		1,400.00
		10,270.00			01/01/00	12/31/00		7,024.59
Recycling Tonnage	4900-752-042-4900-001-V424-6020	12,514.25		12,514.25	01/01/11	12/31/11		
		5,625.00			01/01/09	12/31/09		5,383.96
Smart Growth Planning Grant	100-022-8070-039	6,000.00			01/01/09	12/31/09		5,000.00
Department of Law and Public Safety								
Safe & Secure Program	100-066-1020-232	23,229.00			01/18/11	01/17/12	23,229.00	23,229.00
		28,633.00		7,158.25	01/18/10	01/17/11		28,633.00
Police Body Armor	1020-718-066-1020-001-YCJS-6120	2,118.94		2,118.94	01/01/11	12/31/11		
		2,937.61			01/01/10	12/31/10		2,255.77

BOROUGH OF PAULSBORO  
SCHEDULE OF EXPENDITURES OF STATE FINANCIAL ASSISTANCE  
FOR THE YEAR ENDED DECEMBER 31, 2011

State Funding Department/Program	State Grant Number	Program Amount	Matching Funds	Funds Received	Grant Period		Amount of Expenditures	Cumulative Expenditures
					From	To		
Municipal Court Alcohol Education	9735-760-098-Y900-001-X100-6020	269.67		269.67	01/01/11	12/31/11		
		50.27			01/01/10	12/31/10		
		436.90			01/01/04	12/31/04	145.29	145.29
		1,487.21			01/01/03	12/31/03	904.71	1,487.21
Drunk Driving Enforcement	1110-448-301020-60	1,607.66			01/01/10	12/31/10		
		5,446.87			01/01/09	12/31/09	5,242.76	5,281.31
Department of Environmental Protection								
Early Warning System								
Pass-through Valero Refining Company	N/A	62,389.00			01/01/10	complete		
Stormwater Management	100-042-4840-091	8,468.00			03/01/04	02/28/07	78.80	538.76
		8,468.00			04/01/04	02/28/09		
Hazardous Discharge Site Remediation	N/A	56,106.00			01/01/07	12/31/07		25,440.81
Department of Transportation								
N.J. Transportation Trust	6320-480-078-6320-Z50-TCAP-6010	180,000.00			01/01/11	12/31/11	333.01	333.01
	6320-480-078-6320-Z50-TCAP-6010	180,000.00			01/01/09	12/31/09		
	09-480-078-6320-AKI-6010	196,000.00		112,160.42	01/01/07	12/31/07	2,342.50	129,406.10
		150,000.00		14,779.62	01/01/03	12/31/03	17,475.00	17,475.00
				<u>173,997.37</u>			<u>75,197.97</u>	<u>404,708.13</u>

BOROUGH OF PAULSBORO  
NOTES TO SCHEDULES OF EXPENDITURES OF  
FEDERAL AWARDS AND STATE FINANCIAL ASSISTANCE  
FOR THE YEAR ENDED DECEMBER 31, 2011

NOTE 1: GENERAL

The accompanying Schedules of Expenditures of Federal Awards and State Financial Assistance include federal and state activity of the Borough of Paulsboro. The Borough is defined in Note 1 to the Borough's financial statements. All federal awards and state assistance received directly from federal and state agencies, as well as federal and state financial assistance passed through other government agencies, is included on the Schedule of Expenditures of Federal Awards and State Financial Assistance.

NOTE 2: BASIS OF ACCOUNTING

The accompanying Schedules of Expenditures of Federal Awards and State Financial Assistance include the federal and state grant activity of the Borough of Paulsboro and is presented on the accrual basis of accounting. The information in this schedule is presented in accordance with the requirements of O.M.B. Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, and New Jersey Circular Letter 04-04-O.M.B. Therefore, some amounts presented in these schedules may differ from amounts presented in, or used in the preparation of, the basic financial statements.

NOTE 3: RELATIONSHIP TO FEDERAL AND STATE FINANCIAL REPORTS

Amounts reported in the accompanying schedules agree with the amounts reported in the related federal and state financial reports.

BOROUGH OF PAULSBORO  
 SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
 FOR THE YEAR ENDED DECEMBER 31, 2011

**Section I – Summary of Auditor’s Results**

**Financial Statements:**

Type of auditor’s report issued: Unqualified

Internal control over financial reporting:

1. Material weakness(es) identified?        Yes   X   No

2. Significant deficiencies identified that are not considered to be material weaknesses?   X   Yes        None reported

Noncompliance material to financial statements noted?        Yes   X   No

**Federal Awards**

Internal control over financial reporting:

1. Material weakness(es) identified?   X   Yes        No

2. Significant deficiencies identified that are not considered to be material weaknesses?        Yes   X   None

Type of auditor’s report issued on compliance for major programs: Qualified

Any audit findings disclosed that are required to be reported in accordance with Section .510(a) of Circular A-133?   X   Yes        No

Identification of major programs:

<u>CFDA Number</u>	<u>Name of Federal Program or Cluster</u>
10.781	ARRA - Water and Waste Disposal Systems For Rural Communities
10.760	Water and Waste Disposal Systems For Rural Communities
11.300	ARRA – Public Works Grant

Dollar threshold used to distinguish between type A and type B programs: \$300,000

Auditee qualified as low-risk auditee?        Yes   X   No

BOROUGH OF PAULSBORO  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
FOR THE YEAR ENDED DECEMBER 31, 2011

**Section I – Summary of Auditor’s Results**

**State Awards**

**N/A**

Dollar threshold used to distinguish between type A and type B programs: \$300,000

Auditee qualified as low-risk auditee?  Yes  No

Type of auditor’s report issued on compliance for major programs:

Internal control over major programs:

1. Material weakness(es) identified?  Yes  No

2. Significant deficiencies identified that are not considered to be material weaknesses?  Yes  None

Any audit findings disclosed that are required to be reported in accordance with N.J.O.M.B. Circular Letter 04-04?  Yes  No

Identification of major programs: N/A

**Section II – Financial Statement Findings**

**See Findings and Recommendations in Part II**

BOROUGH OF PAULSBORO  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
FOR THE YEAR ENDED DECEMBER 31, 2011

**Section III – Federal Awards Findings**

ARRA – Public Works Grant 11.300

Criteria: The Borough is required to report grant expenditures based on the detailed accounting records for the ARRA – Public Works grant.

Condition: The first and second reimbursement report duplicated reporting three grant expenditures.

Questioned Cost: \$665,957.60.

Context: The reimbursement report was not reconciled to the Borough's accounting records.

Cause: The grant reports are being recorded on a cash basis, whereas, the Borough's records are maintained on a regulatory basis.

Effect: Non-compliance with federal reporting requirements.

Recommendation: The construction project expense log be reviewed prior to submitting for reimbursement to ensure expenditures are reported in the correct period.

**Section IV – State Awards Findings**

**None**

BOROUGH OF PAULSBORO  
SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS  
YEAR ENDED DECEMBER 31, 2011

No matters were reported in the prior year related to federal or state grant awards.

## **CURRENT FUND**

## SCHEDULE OF CURRENT FUND CASH - TREASURER

	Ref.	Current Fund	Payroll Fund
Balance December 31, 2010	A	<u>3,378,308.36</u>	<u>27,824.77</u>
Increased by Receipts:			
Tax Receivable	A-7	12,326,774.36	
Tax Title Liens Receivable	A-8	1,981.99	
Prepaid Taxes		64,741.18	
Tax Overpayments		1,745.18	
Due from Outside Lien Holders		352,022.56	
Grants Receivable	A-5	231,434.39	
Revenue Accounts Receivable	A-10	1,550,249.45	
Payroll Taxes Payable			1,800,629.93
Net Payroll			2,156,909.72
Due State of New Jersey - Senior Citizen and Veterans Deductions	A-13	79,250.00	
Election Workers Payable		8,750.00	
Due Library State Aid		2,810.00	
Due Water & Sewer Operating Fund		40,546.79	
Due Water & Sewer Capital Fund		68,000.00	
Due General Capital Fund		167,950.00	
Total Receipts		<u>14,896,255.90</u>	<u>3,957,539.65</u>
		<u>18,274,564.26</u>	<u>3,985,364.42</u>

SCHEDULE OF CURRENT FUND CASH - TREASURER

	Ref.	Current Fund	Payroll Fund
Current Year Budget Appropriations	A-3	6,333,735.12	
Appropriation Reserves	A-11	198,028.16	
Encumbrances Payable	A-12	117,002.80	
Reserve for Local Grants	A-15	31,164.78	
Reserve for Grants - Appropriated	A-17	252,401.79	
Due Outside Lien Holders		380,520.23	
County Taxes Payable		2,543,063.04	
County Open Space Taxes Payable	A-7	203,426.97	
Due County Added & Omitted Taxes		6,126.21	
Due Water & Sewer Operating Fund		40,546.79	
Due Water & Sewer Capital Fund		68,000.00	
Due General Capital Fund		167,950.00	
Tax Overpayments		783.82	
Payroll Taxes Payable			1,794,510.47
Net Payroll			2,156,909.72
Due Paulsboro Library State Aid		2,810.00	
Election Workers Payable		8,600.00	
Local District School Tax	A-14	5,318,074.94	
Total Disbursements		<u>15,672,234.65</u>	<u>3,951,420.19</u>
Balance December 31, 2011	A	<u><u>2,602,329.61</u></u>	<u><u>33,944.23</u></u>

## SCHEDULE OF GRANTS RECEIVABLE

<b>Grant</b>	Balance Dec. 31, 2010	Budget Revenue Realized	Received	Transfer from Unapprop.	Balance Dec. 31, 2011
<b>Federal Grants:</b>					
Small Cities - Community Development Block Grant	10,499.08				10,499.08
COPS Universal Hiring	9,000.00				9,000.00
COPS Hiring Recovery Program	164,400.00		62,000.00		102,400.00
Buffer Zone Protection Program	85,600.00				85,600.00
CDBG	85,000.00				85,000.00
CDBG - Paul House	75,000.00				75,000.00
<b>State Grants:</b>					
New Jersey Transportation Trust - East End Phase I	14,779.62		14,779.62		
New Jersey Transportation Trust - 2003	19,148.30				19,148.30
New Jersey Transportation Trust - Billingsport 2008	175,216.82		112,160.42		63,056.40
New Jersey Transportation Trust - Billings Phase II 2009	180,000.00				180,000.00
New Jersey Transportation Trust - Billings Phase IV 2011		180,000.00			180,000.00
Valero Early Warning System	43,627.30				43,627.30
NJ DOT Livable Communities - 2003	150,000.00				150,000.00
Municipal Court Alcohol Education		269.67	269.67		
Recycling Tonnage		12,514.25	7,951.27	4,562.98	
Clean Communities Program		10,382.60	10,382.60		
Safe & Secure	7,158.25	23,229.00	7,158.25		23,229.00
Police Body Armor	1,895.24	2,118.94	2,118.94		1,895.24
Municipal Alliance Youth Service - 2010	9,465.00		9,465.00		
Municipal Alliance Youth Service - 2011		10,854.00	5,148.62		5,705.38
Municipal Stormwater Regulation Program	4,234.00				4,234.00
Smart Growth Planning Grant	6,000.00				6,000.00
	<u>1,041,023.61</u>	<u>239,368.46</u>	<u>231,434.39</u>	<u>4,562.98</u>	<u>1,044,394.70</u>
Ref.	A	A-2	A-4	A-16	A

SCHEDULE OF DEFERRED CHARGES  
N.J.S.A. 40A:4-55 SPECIAL EMERGENCY - TAX MAP

<u>Date</u> <u>Authorized</u>	<u>Purpose</u>	<u>Net Amount</u> <u>Authorized</u>	<u>1/5 of</u> <u>Net Amount</u> <u>Authorized</u>	<u>Increased</u> <u>in 2011</u>	<u>Balance</u> <u>Dec. 31, 2011</u>
01/18/11	Preparation of Tax Maps	48,000.00	9,600.00	48,000.00	48,000.00
			Ref.	A-3	A

SCHEDULE OF TAXES RECEIVABLE AND ANALYSIS OF PROPERTY TAX LEVY

Year	Balance	Levy	Added Taxes	Collected		Overpayments Applied	Transferred to Tax Title Liens	Canceled	Balance
	Dec. 31, 2010			2010	2011				Dec. 31, 2011
1993	1,553.16								1,553.16
1994	829.45								829.45
1995	829.45								829.45
1996	1,036.59								1,036.59
2004	1,301.04				1,301.04				
2005	2,458.40				2,458.40				
2006	2,620.57				2,620.57				
2007	2,839.59				2,839.59				
2008	4,282.10				3,335.90				946.20
2009	11,251.64				3,400.49				7,851.15
2010	626,242.20		250.00		617,977.07		2,254.10		6,261.03
	<u>655,244.19</u>		<u>250.00</u>		<u>633,933.06</u>		<u>2,254.10</u>		<u>19,307.03</u>
2011		12,765,850.31		353,540.49	11,771,726.38	924.41	35,479.58	19,170.46	585,008.99
	<u>655,244.19</u>	<u>12,765,850.31</u>	<u>250.00</u>	<u>353,540.49</u>	<u>12,405,659.44</u>	<u>924.41</u>	<u>37,733.68</u>	<u>19,170.46</u>	<u>604,316.02</u>
Ref.	A			A			A-8		A
		Cash		Ref. A-4	12,326,774.36				
		Due State of New Jersey		A-13	78,885.08				
					<u>12,405,659.44</u>				



## SCHEDULE OF TAX TITLE LIENS RECEIVABLE

Balance December 31, 2010	Ref. A	<u>209,679.38</u>
Increased by:		
Transfers from Taxes Receivable	A-7	37,733.68
Interest and Costs on Tax Sale		<u>385.97</u>
		<u>38,119.65</u>
		247,799.03
Decreased by:		
Cash Receipts	A-4	1,981.99
Canceled		<u>2,678.67</u>
Balance December 31, 2011	A	<u><u>243,138.37</u></u>

SCHEDULE OF PROPERTY ACQUIRED FOR TAXES  
(AT ASSESSED VALUATION)

Balance December 31, 2010	Ref. A	<u>494,600.00</u>
Balance December 31, 2011	A	<u><u>494,600.00</u></u>

## SCHEDULE OF REVENUE ACCOUNTS RECEIVABLE

	Balance Dec. 31, 2010	Accrued	Collected	Balance Dec. 31, 2011
<b>Miscellaneous Revenue Anticipated</b>				
Licenses				
Alcoholic Beverages		6,685.68	6,685.68	
Other	325.00	14,225.00	13,000.00	1,550.00
Fees and Permits	1,834.00	3,813.50	5,615.00	32.50
Fines and Costs:				
Municipal Court	6,111.38	101,676.52	100,362.04	7,425.86
Interest and Costs on Taxes		121,593.81	121,593.81	
Interest on Investments & Deposits		516.51	516.51	
Landlord Licensing		97,607.00	97,607.00	
Consolidated Municipal Property Tax Relief		153,852.70	153,852.70	
Energy Receipts Tax		402,393.00	402,393.00	
Uniform Construction Code Official	2,742.00	36,519.00	33,581.00	5,680.00
Uniform Fire Safety Act		8,914.74	8,914.74	
Cable TV Franchise Fee		15,609.44	15,609.44	
S.J. Port Lease Payments		515,000.00	515,000.00	
Donations - Nustar Asphalt Refining		6,720.00	6,720.00	
Exxon-Mobil Summer Work Program		32,500.00	32,500.00	
<b>Miscellaneous Revenue Not Anticipated</b>				
Senior Citizen Administration Fee		2,095.00	2,095.00	
Tax Sale Premiums		300.00	300.00	
Refunds		4,402.35	4,402.35	
SLCHIP Fees		990.00	990.00	
Rental Income		27,500.00	27,500.00	
Miscellaneous		1,011.18	1,011.18	
	<u>11,012.38</u>	<u>1,553,925.43</u>	<u>1,550,249.45</u>	<u>14,688.36</u>
Ref.	A		A-4	A

## SCHEDULE OF APPROPRIATION RESERVES

	Balance Dec. 31, 2010	Balance After Transfers	Paid or Charged	Encumbered	Balance Lapsed
<b>Salary &amp; Wages:</b>					
Mayor and Council	269.84	609.84		609.84	
Municipal Clerk	105.43	815.43		815.43	
General Administration	305.93	1,405.93		1,405.93	
Financial Administration	9,050.00	9,050.00		9,050.00	
Assessment of Taxes	1.01	336.01		336.01	
Collection of Taxes	3,001.62	3,711.62		3,711.62	
Municipal Court	5,787.83	5,787.83		1,600.00	4,187.83
Prosecutor	0.48	235.48		235.48	
Planning Board	129.88	159.88		30.00	129.88
Zoning Board	0.27	41.27		41.27	
JIF Safety	1.04	33.04		33.04	
Vehicle Maintenance	243.41	443.41		393.00	50.41
Police	55,109.05	55,109.05		33,000.00	22,109.05
Crossing Guards	1,164.50	1,164.50		850.00	314.50
Construction Code Official	3,159.06	3,159.06		800.00	2,359.06
Building Inspector	0.50	400.50		400.50	
Housing Inspector	4,468.95	4,468.95		200.00	4,268.95
Electrical Inspector	0.46	100.46		100.46	
Municipal Code Enforcement Officer	4,200.10	4,200.10		141.00	4,059.10
Road Repair and Maintenance	7,316.79	7,316.79	336.00	6,980.79	
Inspection of Rental Property	0.32	650.32		650.32	
<b>Other Expenses:</b>					
General Administration	31,169.69	31,169.69	16,021.96		15,147.73
Grants Consultant	4,655.00	4,655.00	370.00		4,285.00
Municipal Clerk:					
Printing & Legal Advertising	3,337.86	3,337.86	1,183.70		2,154.16
Financial Administration:					
Compilation of Fixed Assets	800.00	800.00	500.00		300.00
Miscellaneous Other Expenses	524.20	524.20	506.03		18.17
Assessment of Taxes:					
Miscellaneous Other Expenses	808.18	808.18	670.00		138.18
Legal Services and Costs	55,360.29	55,360.29	2,799.88		52,560.41
Municipal Court	1,079.53	1,079.53	372.50		707.03
Planning Board:					
Legal Fees	3,287.50	3,287.50	3,233.32		54.18
Miscellaneous Other Expenses	2,092.00	2,092.00	752.42		1,339.58
Group Health Insurance for Employees	17,769.92	17,769.92	3,545.95		14,223.97
Liability Insurance	46,186.00	46,186.00	35,000.00		11,186.00
Insurance Safety Program	5,810.21	5,810.21	3,500.00		2,310.21
Fire	1,942.01	2,942.01	2,045.84		896.17
<b>Police:</b>					
Miscellaneous Other Expenses	13,236.68	11,736.68	2,816.69		8,919.99
Public Building & Grounds					
Miscellaneous Other Expenses	11,327.56	11,327.56	739.27		10,588.29
Vehicle Maintenance	17,146.97	19,146.97	9,665.56		9,481.41
Emergency Management	1,500.00	1,500.00	1,283.00		217.00
Road Repair and Maintenance	6,366.62	5,866.62	5,559.96		306.66
Recreation Services & Programs	6,190.85	6,190.85	2,697.80		3,493.05
Solid Waste Collection	27,750.00	21,867.00	18,750.00		3,117.00
Celebration of Public Event	2,894.31	2,894.31	1,352.50		1,541.81
Electricity	2,677.82	2,677.82	56.06		2,621.76
Street Lighting	12,071.52	12,071.52	8,183.05		3,888.47
Telephone	5,407.50	5,407.50	2,539.29		2,868.21
Fuel Oil	3,931.94	3,931.94	1,853.38		2,078.56
Gasoline	21,380.66	21,380.66	9,031.13		12,349.53
Construction Code Official	1,826.24	1,826.24	39.80		1,786.44

SCHEDULE OF APPROPRIATION RESERVES

	Balance Dec. 31, 2010	Balance After Transfers	Paid or Charged	Encumbered	Balance Lapsed
Sanitary Landfill	99,529.44	99,529.44	14,001.25		85,528.19
Social Security	4,852.54	4,852.54	141.22	3,300.00	1,411.32
Length of Service Award	21,850.00	21,850.00	18,400.00		3,450.00
Other Accounts - No Change	78,385.39	78,385.39			78,385.39
<b>Total Expenditures within "CAPS"</b>	<b>607,464.90</b>	<b>607,464.90</b>	<b>167,947.56</b>	<b>64,684.69</b>	<b>374,832.65</b>
<b>Other Expenses:</b>					
Maintenance of Free Public Library	41,102.61	41,102.61	9,380.60	31,722.01	
Length of Service Award	34,000.00	34,000.00	20,700.00		13,300.00
Other Accounts - No Change	25,559.00	25,559.00			25,559.00
	<b>100,661.61</b>	<b>100,661.61</b>	<b>30,080.60</b>	<b>31,722.01</b>	<b>38,859.00</b>
	<b>708,126.51</b>	<b>708,126.51</b>	<b>198,028.16</b>	<b>96,406.70</b>	<b>413,691.65</b>
Ref.	A		A-4	A-12	A-1

## SCHEDULE OF ENCUMBRANCES PAYABLE

	Ref.	Current Fund	Grant Fund
Balance December 31, 2010	A	<u>90,542.96</u>	<u>44,626.84</u>
Increased by:			
Charges to Appropriation	A-3	168,945.08	
Charges to Appropriation Reserves	A-11	96,406.70	
Charges to Reserve for Grants - Appropriated	A-17		7,256.76
		<u>355,894.74</u>	<u>51,883.60</u>
Decreased by:			
Payments	A-4	90,125.96	26,876.84
Canceled	A-1	417.00	
Transfer to Reserve for Grants - Appropriated	A-17		17,750.00
Balance December 31, 2011	A	<u><u>265,351.78</u></u>	<u><u>7,256.76</u></u>

EXHIBIT A-13

SCHEDULE OF DUE TO STATE OF NEW JERSEY  
SENIOR CITIZEN AND VETERANS DEDUCTIONS

Balance December 31, 2010	Ref. A		4,092.88
Increased by:			
Receipts	A-4		<u>79,250.00</u>
			83,342.88
Decreased by:			
Deductions Per Tax Duplicate		78,500.00	
Deductions Allowed by Collector		1,000.00	
Deductions Disallowed by Collector		(614.92)	
		<u>78,885.08</u>	
Prior Year Deductions Disallowed by Collector	A-7 A-1	(250.00)	
			<u>78,635.08</u>
Balance December 31, 2011	A		<u><u>4,707.80</u></u>

## SCHEDULE OF LOCAL DISTRICT SCHOOL TAX PAYABLE

	Ref.	
Balance December 31, 2010:		
School Tax Payable	A	405,661.44
Increased by:		
Levy Calendar Year	A-7	4,914,994.50
		<u>5,320,655.94</u>
Decreased by:		
Payments	A-4	5,318,074.94
		<u>5,318,074.94</u>
Balance December 31, 2011:		
School Tax Payable	A	<u>2,581.00</u>
2011 Tax Liability for Local District School Tax:		
Tax Paid	A-14	5,318,074.94
Add: Tax Payable 12/31/2011	A-14	2,581.00
Less: Tax Payable 12/31/2010	A-14	(405,661.44)
		<u>4,914,994.50</u>
Amount Charged to Operations	A-1	<u>4,914,994.50</u>

## SCHEDULE OF RESERVE FOR LOCAL GRANTS

	Balance Dec. 31, 2010	Transferred from Budget Appropriation	Paid or Charged	Balance Dec. 31, 2011
Exxon/Mobil Summer Work Program	21,585.03	32,500.00	27,964.78	26,120.25
Comcast Technology Grant	14,970.04			14,970.04
Donations - NuStar	3,600.00	6,720.00	3,200.00	7,120.00
Donations - Valero Smart Growth	4,000.00			4,000.00
	<u>44,155.07</u>	<u>39,220.00</u>	<u>31,164.78</u>	<u>52,210.29</u>
Ref.	A	A-3	A-4	A

SCHEDULE OF RESERVE FOR GRANTS - UNAPPROPRIATED

	Balance Dec. 31, 2010	Realized	Balance Dec. 31, 2011
Clean Communities	2,340.64		2,340.64
Recycling Tonnage Grant	4,562.98	4,562.98	
	<u>6,903.62</u>	<u>4,562.98</u>	<u>2,340.64</u>
Ref.	A	A-5	A

## SCHEDULE OF RESERVE FOR GRANTS - APPROPRIATED

Grant	Balance	Transferred	Paid or	Encumbered	Encumbrance Canceled	Balance
	Dec. 31, 2010	from Budget Appropriation	Charged			Dec. 31, 2011
<b>Federal Grants:</b>						
Small Cities - Community Development Block Grant	10,499.08		10,499.08			
Over the Limit Under Arrest	825.00					825.00
Buffer Zone Protection Program	85,600.00		85,227.20			372.80
COPS Hiring Recovery Program	164,593.32		59,440.24			105,153.08
Community Development Block Grant	85,000.00		2,307.96			82,692.04
Community Development Block Grant - Paul House	60,000.00		26,986.10			33,013.90
Total Federal Grants	406,517.40		184,460.58			222,056.82
<b>State Grants:</b>						
New Jersey Transportation Trust - East End Phase I	150,000.00		17,475.00			132,525.00
New Jersey Transportation Trust - Billings 2009	162,250.00				17,750.00	180,000.00
New Jersey Transportation Trust - Billingsport II 2008	68,936.40		2,342.50			66,593.90
New Jersey Transportation Trust - Billings Phase IV		180,000.00	333.01			179,666.99
Clean Communities - 2011		10,382.60	9,819.00	563.51		0.09
Clean Communities - 2010	239.59					239.59
Clean Communities - 2008	3,206.93					3,206.93
Clean Communities - 2007	5,338.49					5,338.49
Clean Communities - 2006	2,247.00					2,247.00
Clean Communities - 2005	518.55					518.55
Clean Communities - 2004	541.44					541.44
Clean Communities - 2003	491.50					491.50
Clean Communities - 2002	145.05					145.05
Clean Communities - 2000	3,245.41					3,245.41
Clean Communities - 1997	47.24					47.24
Municipal Stormwater Regulation Program	16,476.04		78.80			16,397.24
Hazardous Discharge Site Remediation - 2007	30,665.19					30,665.19
Drunk Driving Enforcement Fund	7,015.98		5,242.76			1,773.22
Recycling Tonnage Grant	241.04	12,514.25				12,755.29
Valero Early Warning System	62,389.00					62,389.00
Municipal Alliance Program - 2001	485.43					485.43
Municipal Alliance Program - 2002	209.10					209.10
Municipal Alliance Program - 2003	269.80					269.80
Municipal Alliance Program - 2004	481.04					481.04
Municipal Alliance Program - 2005	500.00					500.00
Municipal Alliance Program - 2007	130.28					130.28
Municipal Alliance Program - 2008	35.30					35.30
Municipal Alliance Program - 2010	1,497.39		1,497.39			
Municipal Alliance Program - 2011		13,567.00	6,873.75	6,693.25		
Safe & Secure		23,229.00	23,229.00			
Body Armor Grant	681.84	2,118.94				2,800.78
Special Legislative Grant	100,000.00					100,000.00
Smart Growth Planning Grant	1,000.00					1,000.00
Municipal Court Alcohol Education	1,391.88	269.67	1,050.00			611.55
Total State Grants	620,676.91	242,081.46	67,941.21	7,256.76	17,750.00	805,310.40
Total Federal and State Grants	1,027,194.31	242,081.46	252,401.79	7,256.76	17,750.00	1,027,367.22
Ref.	A	A-3	A-4	A-12	A-12	A

## **TRUST FUND**

SCHEDULE OF TRUST FUND CASH - TREASURER

Ref.	Animal	Developer's	Park &	Tax Sale	Parking	Self-Insurance	Recycling	Off-Duty	Donations -	Regional Contribution Agreements		Law	
	Control	Escrow	Recreation	Premium	Offense	Trust Fund	Trust Fund	Police	Community	Township of	Township of	Enforcement	
	Trust	Fund	Trust Fund		Adjudication				Events	Woolwich	East Greenwich	Forfeited	
												Funds	
Balance December 31, 2010	B	2,535.83	46,620.06	68,689.50	70,200.00	816.00	285,536.99	8,369.34	8,096.66	30,342.67	341,424.97	502,755.00	9,714.59
Increased by Receipts:													
Interest Earned			18.25								226.33	298.71	6.66
Dog License Fees:													
Municipal Share	B-2	1,284.00											
Planning Board Escrow Fees			51,336.20										
Park & Recreation Fees			21,590.38										
Tax Sale Premiums	B-3			29,700.00									
POAA Fess					100.00								
Insurance Receipts						112,792.87							
Recycling Fees							9,391.38						
Off-Duty Police								34,367.33					
Donations - Community Events									17,221.72				
Regional Contribution Agreements											5,296.00		
Law Enforcement Forfeiture													1,314.00
Due to POAA Trust				2.00									
Total Receipts		1,284.00	51,354.45	21,590.38	29,702.00	100.00	112,792.87	9,391.38	34,367.33	17,221.72	226.33	5,594.71	1,320.66
Decreased by Disbursements:													
Expenditures Under R.S. 4:19-15.11	B-2	1,388.25											
Planning Board Escrow Fees			41,581.47										
Park & Recreation Fees			1,948.71										
Tax Sale Premiums	B-3			28,600.00									
Investment in Bond Anticipation Notes	B					106,341.46							
Insurance Claims						2,200.00							
Recycling Fees													
Off-Duty Police								33,323.76					
Donations - Community Events									11,495.02				
Regional Contribution Agreements										21,276.00	172,833.00		
Law Enforcement Forfeiture													1,230.00
Due Current Fund		81.83	388.57										
Total Disbursements		1,470.08	41,970.04	1,948.71	28,600.00		108,541.46		33,323.76	11,495.02	21,276.00	172,833.00	1,230.00
Balance December 31, 2011	B	2,349.75	56,004.47	88,331.17	71,302.00	916.00	289,788.40	17,760.72	9,140.23	36,069.37	320,375.30	335,516.71	9,805.25

## SCHEDULE OF RESERVE FOR DOG FUND EXPENDITURES

Balance December 31, 2010	Ref. B	2,454.00
Increased by:		
Municipal Share of Dog License Fees	B-1	1,284.00
		<u>3,738.00</u>
Decreased by:		
Expenditures Under R.S.4:19-15.11: Cash	B-1	1,388.25
Balance December 31, 2011	B	<u><u>2,349.75</u></u>

**License Fees Collected**

<u>Year</u>	<u>Amount</u>
2009	1,098.00
2010	1,458.00
	<u>2,556.00</u>

## SCHEDULE OF RESERVE FOR TAX SALE PREMIUMS

Balance December 31, 2010	Ref. B	70,200.00
Increased by:		
Deposits Received at Tax Sale	B-1	29,700.00
		<u>99,900.00</u>
Decreased by:		
Premiums Refunded	B-1	28,600.00
Balance December 31, 2011	B	<u><u>71,300.00</u></u>

## **GENERAL CAPITAL FUND**

## SCHEDULE OF GENERAL CAPITAL CASH - TREASURER

	Ref.	
Balance December 31, 2010	C	121,516.22
Increased by:		
Bond Anticipation Note	C-9	634,000.00
Due from Paulsboro Public Library	C-3	19,540.00
		<u>775,056.22</u>
Decreased by:		
Improvement Authorizations	C-7	590,844.54
Balance December 31, 2011	C	<u><u>184,211.68</u></u>

## ANALYSIS OF GENERAL CAPITAL FUND CASH

	Balance Dec. 31, 2010	Receipts		Disbursements		Balance Dec. 31, 2011
		Bond Anticipation Notes	Miscellaneous	Improvement Authorization	Transfers	
Fund Balance	8,147.86					8,147.86
Capital Improvement Fund	32,749.83					32,749.83
Due Current Fund	10,000.00					10,000.00
Reserve for:						
Purchase of Computer	4,155.36					4,155.36
Courtroom Sound System	975.00					975.00
Encumbrances Payable	8,143.46				(8,143.46)	
Due from Gill Memorial Library					(603,698.00)	(603,698.00)
Improvement Authorizations:						
Ordinance						
Number						
02-99	Purchase of a Street Sweeper and the Purchase of a Salt Storage Building	(827.00)				(827.00)
13-05	Construction of a Parking Lot	10,108.56				10,108.56
13-06	Acquisition of Real Property	1,480.75				1,480.75
14-06	Acquisition of Real Property - BP	11,688.13			(11,688.13)	
17-06	Purchase of Fire Trucks	30,000.00				30,000.00
2-09	Tax Refunding Payment	8,934.73				8,934.73
06-10	Phase II Streetscape Project	(4,040.46)			8,143.46	4,103.00
2011-08	Acquisition of Real Property within BP Oil Downtown Redevelopment Area		634,000.00		584,995.50	11,688.13
2011-11	Improvements to Gill Memorial Library			19,540.00	5,849.04	603,698.00
		<u>121,516.22</u>	<u>634,000.00</u>	<u>19,540.00</u>	<u>590,844.54</u>	<u>184,211.68</u>
Ref.		C	C-9	C-2	C-7	C

## EXHIBIT C-4

SCHEDULE OF DEFERRED CHARGES TO FUTURE  
TAXATION - FUNDED

Balance December 31, 2010	Ref. C	3,570,700.95
Decreased by:		
Payment of Serial Bonds	C-11	160,000.00
Payment of Loan Payable	C-8	10,937.47
Balance December 31, 2011	C	<u>3,399,763.48</u>

## EXHIBIT C-5

SCHEDULE OF CAPITAL IMPROVEMENT FUND

	Ref.	
Balance December 31, 2010	C	<u>32,749.83</u>
Balance December 31, 2011	C	<u>32,749.83</u>



## SCHEDULE OF IMPROVEMENT AUTHORIZATIONS

Ordinance Number	Purpose	Date	Amount	Balance Dec. 31, 2010		Due from Paulsboro Library	2011 Authorization	Paid or Charged	Amended	Encumbrance Canceled	Balance Dec. 31, 2011	
				Funded	Unfunded		Deferred Charge to Future Taxation				Funded	Unfunded
13-05	Construction of a Parking Lot	09/06/05	100,000.00		15,108.56							15,108.56
13-06	Acquisition of Real Property	09/05/06	435,000.00		339,480.75							339,480.75
14-06	Acquisition of Real Property - BP	09/05/06	1,760,000.00		396,688.13				(396,688.13)			
17-06	Purchase of Fire Trucks	10/17/06	600,000.00	30,000.00	570,000.00						30,000.00	570,000.00
2-09	Tax Refunding Payment	05/19/09	4,600,000.00	8,934.73	85,000.00						8,934.73	85,000.00
06-10	Phase II Streetscape Project	04/19/10	425,090.00		126,049.54					8,143.46		134,193.00
2011-08	Acquisition of Real Property within BP Oil Downtown Redevelopment Area	05/16/11	2,100,000.00				340,000.00	584,995.50	396,688.13			151,692.63
2011-11	Improvements to Gill Memorial Library	07/05/11	1,014,038.00			623,238.00	390,800.00	5,849.04			617,388.96	390,800.00
				<u>38,934.73</u>	<u>1,532,326.98</u>	<u>623,238.00</u>	<u>730,800.00</u>	<u>590,844.54</u>		<u>8,143.46</u>	<u>656,323.69</u>	<u>1,686,274.94</u>
	Ref.			C	C		C-4	C-2		C	C	C

SCHEDULE OF BERKADIA LOAN PAYABLE

<u>Purpose</u>	<u>Date of Issue</u>	<u>Original Issue</u>	<u>Interest Rate</u>	<u>Balance Dec. 31, 2010</u>	<u>Decreased</u>	<u>Balance Dec. 31, 2011</u>
Construction of Municipal Building	Dec-80	300,000.00	5.000%	135,700.95	10,937.47	124,763.48
	Ref.			C	C-4	C

## SCHEDULE OF BOND ANTICIPATION NOTES PAYABLE

Ordinance Number	Purpose	Date of Issue of Original Note	Date of Issue	Date of Maturity	Interest Rate	Balance	Increased	Decreased	Balance
						Dec. 31, 2010			Dec. 31, 2011
04-00	Purchase of a Senior Citizen Bus and Purchase of a Leaf Vacuum Machine	07/05/2001	12/17/2010	12/16/2011	1.20%	42,750.00		42,750.00	
12-02	Purchase of a Dump Truck	01/09/2004	12/27/2011	12/16/2012	0.00%	19,000.00		4,750.00	14,250.00
09-03	Veterans Memorial Park	12/05/2003	12/27/2011	12/16/2012	0.00%	22,200.00		5,800.00	16,400.00
13-05	Construction of a Parking Lot	11/28/2006	12/27/2011	12/16/2012	0.00%	60,000.00		10,000.00	50,000.00
13-06	Acquisition of Real Property	12/17/2010	12/27/2011	12/16/2012	0.00%	97,000.00		9,700.00	87,300.00
14-06	Acquisition of Real Property - BP	07/25/2007	7/15/2011	7/13/2012	1.35%	1,283,500.00		16,550.00	1,266,950.00
14-06	Acquisition of Real Property - BP	07/23/2008	7/15/2011	7/13/2012	1.35%	75,000.00		950.00	74,050.00
06-10	Phase II Streetscape Project	09/23/2010	3/25/2011	3/25/2012	0.00%	295,000.00		188,658.54	106,341.46
2011-08	Acquisition of Real Property within BP Oil Downtown Redevelopment Area	7/15/11	7/15/11	7/13/12	1.35%		634,000.00		634,000.00
						<u>1,894,450.00</u>	<u>634,000.00</u>	<u>279,158.54</u>	<u>2,249,291.46</u>
					Ref.	C	C-2:C-12	C-6	C

## SCHEDULE OF OBLIGATIONS UNDER CAPITAL LEASE

Purpose	Date of Lease	Term of Lease	Amount of Original Lease		Interest Rate	Balance	Decreased
			Principal	Interest		Dec. 31, 2010	
Chipper	11/01/01	10 Years	23,000	4,570	2.5%-3.8%	<u>3,000.00</u>	<u>3,000.00</u>
					Ref.	C	

## SCHEDULE OF SERIAL BONDS PAYABLE

Date of Issue	Purpose	Original Issue	Maturities of Bonds Outstanding		Interest Rate	Balance		Balance
			December 31, 2011			Dec. 31, 2010	Decreased	
			Date	Amount				
07/15/09	General Obligation Tax Refunding Bonds	3,575,000.00	7/15/12	175,000.00	2.500%			
			7/15/13	200,000.00	3.000%			
			7/15/14	220,000.00	3.000%			
			7/15/15	225,000.00	3.125%			
			7/15/16	235,000.00	3.375%			
			7/15/17	240,000.00	4.000%			
			7/15/18	250,000.00	4.000%			
			7/15/19	260,000.00	4.000%			
			7/15/20	270,000.00	4.000%			
			7/15/21	280,000.00	4.125%			
			7/15/22	295,000.00	4.125%			
			7/15/23	305,000.00	4.375%			
			7/15/24	320,000.00	4.375%			
						<u>3,435,000.00</u>	<u>160,000.00</u>	<u>3,275,000.00</u>
					Ref.	C	C-4	C

## SCHEDULE OF BONDS AND NOTES AUTHORIZED BUT NOT ISSUED

Ordinance Number	Purpose	Balance		Issued	Balance	
		Dec. 31, 2010	Authorized		Dec. 31, 2011	
02-99	Purchase of a Street Sweeper and the Purchase of a Salt Storage Building	827.00			827.00	
13-05	Construction of a Parking Lot	5,000.00			5,000.00	
13-06	Acquisition of Real Property within Hotel Redevelopment Area	338,000.00			338,000.00	
14-06	Acquisition of Real Property within BP Oil Downtown Redevelopment Area	385,000.00		385,000.00		
17-06	Purchase of Fire Trucks	570,000.00			570,000.00	
02-09	Tax Refunding Payment	85,000.00			85,000.00	
06-10	Phase II Streetscape Project	130,090.00			130,090.00	
2011-08	Acquisition of Real Property within BP Oil Downtown Redevelopment Area		340,000.00	249,000.00		91,000.00
2011-11	Improvements to Gill Memorial Library		390,800.00			390,800.00
		<u>1,513,917.00</u>	<u>730,800.00</u>	<u>634,000.00</u>		<u>1,610,717.00</u>
	Ref.		C-7	C-9		

**WATER & SEWER UTILITY FUND**

## SCHEDULE OF WATER &amp; SEWER UTILITY FUND CASH - TREASURER

	Ref.	<u>Operating</u>	<u>Capital</u>
Balance December 31, 2010	D	<u>690,969.17</u>	<u>728,286.83</u>
Increased by:			
Consumer Accounts Receivable	D-8	1,451,166.91	
Interest on Investments	D-3	1,075.29	
Miscellaneous Revenues	D-3	137,057.85	
Utility Rent Overpayments		518.60	
Bond Anticipation Notes	D-16		5,420,500.00
Total Receipts		<u>1,589,818.65</u>	<u>5,420,500.00</u>
		<u>2,280,787.82</u>	<u>6,148,786.83</u>
Decreased by:			
Budget Appropriations	D-4	1,350,706.15	
Appropriation Reserve	D-11	50,575.06	
Encumbrances Payable	D-12	36,496.33	693,924.50
Accrued Interest on Notes	D-14	20,961.61	
Improvement Authorizations	D-15		2,605,541.19
Prior Year Refund		130.00	
Investment in Bond Anticipation Notes	D	235,950.00	
Total Disbursements		<u>1,694,819.15</u>	<u>3,299,465.69</u>
Balance December 31, 2011	D	<u><u>585,968.67</u></u>	<u><u>2,849,321.14</u></u>

ANALYSIS OF WATER & SEWER UTILITY CAPITAL FUND CASH

	Balance Dec. 31, 2010	Receipts		Disbursements		Transfers	Balance Dec. 31, 2011
		Bond Anticipation Notes	Improvement Authorizations	Miscellaneous			
Fund Balance	21,830.73						21,830.73
Capital Improvement Fund	21,614.97						21,614.97
Encumbrances Payable	693,924.50			693,924.50			
Reserve for Purchase of a Computer	579.00						579.00
Preliminary Expenses	578.50						578.50
Construction Water Treatment Plant	4,208.65						4,208.65
Improvement Authorizations:							
Ordinance							
Number							
3-94 Acquisition & Installation of Water Meters	9,311.16						9,311.16
18-04 Renovations to Well #7	10,234.18						10,234.18
2007-03 Water Treatment System	(33,994.86)	2,230,000.00				(2,196,005.14)	
2010-11 Construction of a Elevated Water Tank			104,286.44				(104,286.44)
2011-6 Water Treatment System		3,190,500.00	2,501,254.75			2,196,005.14	2,885,250.39
	<u>728,286.83</u>	<u>5,420,500.00</u>	<u>2,605,541.19</u>	<u>693,924.50</u>			<u>2,849,321.14</u>
Ref.	D	D-16	D-15	D-5			D

## SCHEDULE OF CONSUMER ACCOUNTS RECEIVABLE

	Ref.	Water	Sewer	Total
Balance December 31, 2010	D	<u>166,140.23</u>	<u>266,366.92</u>	<u>432,507.15</u>
Increased by:				
Utility Rents Levied		700,638.13	755,619.62	1,456,257.75
		<u>866,778.36</u>	<u>1,021,986.54</u>	<u>1,888,764.90</u>
Decreased by:				
Collections	D-5	688,717.69	762,449.22	1,451,166.91
Overpayments Applied	D-3		212.28	212.28
Canceled		2,436.04	2,177.80	4,613.84
Senior Citizen Discount		6,097.00		6,097.00
Transfers to Utility Liens	D-9	1,330.00	1,320.00	2,650.00
		<u>698,580.73</u>	<u>766,159.30</u>	<u>1,464,740.03</u>
Balance December 31, 2011	D	<u><u>168,197.63</u></u>	<u><u>255,827.24</u></u>	<u><u>424,024.87</u></u>

## SCHEDULE OF UTILITY LIENS RECEIVABLE

	Ref.	Water	Sewer	Total
Balance December 31, 2010	D	<u>5,070.35</u>	<u>8,003.97</u>	<u>13,074.32</u>
Increased by:				
Transfer from Consumer Accts. Receivable	D-7	1,330.00	1,320.00	2,650.00
Interest and Costs on Sale		33.69	50.86	84.55
		<u>1,363.69</u>	<u>1,370.86</u>	<u>2,734.55</u>
Balance December 31, 2011		<u><u>6,434.04</u></u>	<u><u>9,374.83</u></u>	<u><u>15,808.87</u></u>

## SCHEDULE OF FIXED CAPITAL

	Balance Dec. 31, 2010	Balance Dec. 31, 2011
Intangible Property	22,000.00	22,000.00
Purification System and Land	500.00	500.00
Springs and Wells	320,047.42	320,047.42
Chemical Treatment Plant	166,149.30	166,149.30
Collection Reservoirs	5,000.00	5,000.00
Pumping Station Structure	80,176.00	80,176.00
Pumping Equipment	157,119.96	157,119.96
Storage Reservoirs, Tanks and Standpipes	204,376.57	204,376.57
Distribution Mains and Accessories	591,217.63	591,217.63
Service Pipes and Stops	26,540.21	26,540.21
Meters and Meter Pipes	31,209.38	31,209.38
Fire Hydrants	35,515.13	35,515.13
General Structure	662.90	662.90
Office Machines and Equipment	40,672.30	40,672.30
Other Tangible Property	1,000.00	1,000.00
General Equipment	73,503.03	73,503.03
Alterations & Additions Sewerage Disposal Plant	39,000.00	39,000.00
Sanitary Sewer System	20,207.79	20,207.79
Sanitary Sewer Pumping Station	35,144.56	35,144.56
Garage	120,100.34	120,100.34
Sewer Lines	37,230.92	37,230.92
Well, Filtration System & Water Meters	1,372,409.86	1,372,409.86
Water Tower	128,552.29	128,552.29
Water Storage Standpipe	558,800.00	558,800.00
Communications Equipment	7,000.00	7,000.00
Water Transmission Line	332,500.00	332,500.00
Transportation Equipment	132,034.45	132,034.45
	<u>4,538,670.04</u>	<u>4,538,670.04</u>
Ref.	D	D

## SCHEDULE OF FIXED CAPITAL AUTHORIZED AND UNCOMPLETED

Ordinance Number	Purpose	Ordinance		Balance	Authorized	Balance
		Date	Amount	Dec. 31, 2010		Dec. 31, 2011
03-94	Acquisition & Installation of Water Meters	2/15/94	476,000.00	451,000.00		451,000.00
18-04	Renovations Well #7	12/7/04	170,000.00	170,000.00		170,000.00
2007-03/2010-10	Water Treatment System	5/15/07	6,167,000.00	6,167,000.00	(6,167,000.00)	
2010-11	Construction of a Elevated Water Tank	11/15/10	2,100,000.00	2,100,000.00		2,100,000.00
2011-6	Water Treatment System	3/1/11	7,073,100.00		7,073,100.00	7,073,100.00
				8,888,000.00	906,100.00	9,794,100.00
				Ref. D	D-15	D

## SCHEDULE OF APPROPRIATION RESERVES

	Balance Dec. 31, 2010	Balance After Transfers	Paid	Encumbered	Balance Lapsed
<b>Operating:</b>					
Salary & Wages	36,447.73	36,447.73	240.00	5,000.00	31,207.73
Other Expenses	24,769.43	24,769.43	16,717.25		8,052.18
Sewer Rental - Gloucester County Utility Authority	31,294.26	33,294.26	32,589.56		704.70
Engineering Fees	18,431.75	18,431.75	1,028.25		17,403.50
<b>Capital Improvements:</b>					
Capital Outlay	15,000.00	13,000.00			13,000.00
<b>Statutory Expenditures:</b>					
Social Security System	2,975.27	2,975.27		400.00	2,575.27
Unemployment Compensation Insurance	1,265.38	1,265.38			1,265.38
	<u>130,183.82</u>	<u>130,183.82</u>	<u>50,575.06</u>	<u>5,400.00</u>	<u>74,208.76</u>
Ref.	D		D-5	D-12	D-1

## SCHEDULE OF ENCUMBRANCES PAYABLE

	Ref.	Operating Fund	Operating Fund
Balance December 31, 2010	D	36,496.33	693,924.50
Increased by:			
Charges to:			
Current Year Appropriations	D-4	52,419.99	
Appropriation Reserves	D-11	5,400.00	
Improvement Authorizations	D-15		618,130.64
		<u>94,316.32</u>	<u>1,312,055.14</u>
Decreased by:			
Cash Disbursements	D-5	36,496.33	693,924.50
		<u>36,496.33</u>	<u>693,924.50</u>
Balance December 31, 2011	D	<u>57,819.99</u>	<u>618,130.64</u>

## SCHEDULE OF CAPITAL IMPROVEMENT FUND

Balance December 31, 2010	Ref. D	21,614.97
Balance December 31, 2011	D	<u>21,614.97</u>

SCHEDULE OF ACCRUED INTEREST ON BONDS AND NOTES  
AND ANALYSIS OF BALANCE

Balance December 31, 2010	Ref.	8,984.11
Increased by:		
Budget Appropriation for:		
Interest on Bonds and Notes	D-4	<u>26,524.00</u>
		35,508.11
Decreased by:		
Payments	D-5	<u>20,961.61</u>
Balance December 31, 2011	D	<u>14,546.50</u>

## Analysis of Accrued Interest December 31, 2011

Principal Outstanding Dec. 31, 2011	Interest Rate	From	To	Days	Amount
68,000.00	0.000%	12/27/2011	12/31/2011	14	0
1,579,500.00	1.350%	7/15/2011	12/31/2011	165	14,546.50
<u>1,647,500.00</u>					<u>14,546.50</u>

## SCHEDULE OF IMPROVEMENT AUTHORIZATIONS

Ordinance Number	Purpose	Date	Amount	Balance	Deferred Charge	Amended	Paid or Charged	Encumbered	Balance
				Dec. 31, 2010 Unfunded					Dec. 31, 2011 Unfunded
3-94	Acquisition & Installation of Water Meters	02/15/94	476,000.00	9,311.16					9,311.16
18-04	Renovations to Well #7	12/7/04	170,000.00	10,234.18					10,234.18
2007-03/2010-10	Water Treatment System	5/15/07	6,167,000.00	4,533,005.14		(4,533,005.14)			
2010-11	Construction of a Elevated Water Tank	11/15/10	2,100,000.00	2,100,000.00			104,286.44		1,995,713.56
2011-6	Water Treatment System	3/1/11	7,073,100.00		906,100.00	4,533,005.14	2,501,254.75	618,130.64	2,319,719.75
				<u>6,652,550.48</u>	<u>906,100.00</u>		<u>2,605,541.19</u>	<u>618,130.64</u>	<u>4,334,978.65</u>
			Ref.	D	D-10		D-5	D-12	D

SCHEDULE OF BONDS AND ANTICIPATION NOTES

Ordinance Number	Purpose	Date of Issue of	Date of Issue	Date of Maturity	Interest Rate	Balance			Balance Dec. 31, 2011
		Original Note				Dec. 31, 2010	Increased	Decreased	
18-04	Renovations to Well #7	1/11/2005	12/27/2011	12/16/2012	0.00%	85,000.00		17,000.00	68,000.00
2007-03	Water Treatment System	7/23/2008	07/15/11	07/13/12	1.35%	1,600,000.00		20,500.00	1,579,500.00
2011-6	Water Treatment System	7/15/2011	07/15/11	07/13/12	1.35%		5,420,500.00		5,420,500.00
						<u>1,685,000.00</u>	<u>5,420,500.00</u>	<u>37,500.00</u>	<u>7,068,000.00</u>
Ref.						D	D-5		D

## SCHEDULE OF BONDS AND NOTES AUTHORIZED BUT NOT ISSUED

Ordinance Number	Purpose	Balance Dec. 31, 2010	Authorized	Issued	Balance Dec. 31, 2011
2007-03/2010-10	Water Treatment System	4,567,000.00		4,567,000.00	
2010-11	Construction of a Elevated Water Tank	2,100,000.00			2,100,000.00
2011-06	Water Treatment System		906,100.00	853,500.00	52,600.00
		<u>6,667,000.00</u>	<u>906,100.00</u>	<u>5,420,500.00</u>	<u>2,152,600.00</u>

## **PUBLIC ASSISTANCE FUND**

## SCHEDULE OF PUBLIC ASSISTANCE FUND CASH - TREASURER

Balance December 31, 2010	Ref. E	<u>44,800.89</u>
Balance December 31, 2011	E	<u><u>44,800.89</u></u>

**PART II**  
**LETTER OF COMMENTS AND RECOMMENDATIONS**  
**YEAR ENDED DECEMBER 31, 2011**

## GENERAL COMMENTS

Contracts and Agreements Required to be Advertised for N.J.S.A. 40A:11-4  
N.J.S.A. 40A:11-4 states "Every contract or agreement awarded by the contracting agent for the provision or performance of any goods or services, the cost of which in the aggregate exceeds the bid threshold, shall be awarded only by resolution by the governing body of the contracting unit to the lowest responsible bidder after public advertising for bids and bidding therefore, except as is provided otherwise in this act or specifically by any other law."

The governing body of the Municipality has the responsibility of determining whether the expenditures in any category will exceed the bid threshold within the fiscal year. Where question arises as to whether any contract or agreement might result in violation of the statute, the Solicitor's opinion should be sought before a commitment is made.

The minutes indicate that bids were requested by public advertisement for the following items:

Delaware Street Demolition	Paul House Stabilization Project
Water Tower	Automatic License Plate Reader
Reconstruction of Billings Avenue Phase III and IV	

The minutes indicate that resolutions were adopted and advertised authorizing the awarding of contracts or agreements for "Professional Services" per N.J.S.A. 40A:11-5.

Inasmuch as the system of records did not provide for an accumulation of payments for categories for the performance of any work or the furnishings or hiring of any materials or supplies, the results of such an accumulation could not reasonably be ascertained. Disbursements were reviewed, however, to determine whether any clear cut violations existed.

Our examination of expenditures did not reveal an individual payment contract or agreement in excess of the bid threshold "for the performance of any work or the furnishing or hiring of any materials or supplies," other than those where bids had been previously sought by public advertisement or where a resolution had been previously adopted under the provisions of N.J.S.A. 40A:11-6.

N.J.S.A. 40A:11-6.1 requires that at least two competitive quotations be obtained for all contracts that in the aggregate are less than the bid threshold but 15 percent or more of that amount.

### Collection of Interest on Delinquent Taxes and Assessments

The statute provides the method for authorizing interest and the maximum rates to be charged for the nonpayment of taxes or assessments on or before the date when they would become delinquent.

The governing body on January 4, 2011, adopted the following resolution authorizing interest to be charged on delinquent taxes:

WHEREAS, Chapter 104 P.L. 1965, amending R.S. 54:4-67 authorized Municipalities to provide a grace period not exceeding ten (10) days within which

an installment of taxes or assessments may be received without an additional charge of interest; and

WHEREAS, N.J.S.A 54:4-67 also provides that a Governing Body may also fix a penalty to a taxpayer charges with a delinquency in excess of ten thousand dollars (\$10,000.00) who fails to pay that delinquency prior to the end of the calendar year; and

NOW, THEREFORE BE IT FURTHER RESOLVED by the Mayor and Council of the Borough of Paulsboro, County of Gloucester and State of New Jersey that pursuant to N.J.S.A. 54:4-67, the rate of interest on delinquent tax installments and assessments for the year 2011 be and the same is hereby fixed at eight percent per annum on the first \$1,500.00 of the delinquency and eighteen percent per annum on any amount in excess of \$1,500.00.

BE IT FURTHER RESOLVED that for the tax year 2011 a six percent (6%) flat penalty shall be added at the end of each year for delinquencies which exceed ten thousand dollars (\$10,000.00).

BE IT FURTHER RESOLVED, that no interest be charged if payment of an installment is made within ten (10) days after the date on which the same became payable.

It appears from an examination of the collector's records that interest was collected according to the foregoing resolution.

**Delinquent Taxes and Tax Title Liens**

The last tax sale was held on October 18, 2011, and was complete except for bankruptcies from prior years which were not sold.

The following comparison is made of the number of tax title liens receivable on December 31 of the last three years.

<u>Year</u>	<u>Number of Liens</u>
2011	42
2010	40
2009	33

It is essential to good management that all means provided by statute be utilized to liquidate tax title liens in order to get such properties back on a tax-paying basis.

**Verification of Delinquent Taxes and Other Charges**

A test verification of delinquent charges and current payments was made in accordance with the regulations of the Division of Local Government Services. Notices returned were reviewed and no discrepancies were noted. A separate report will be rendered if any irregularities develop after the date of the audit.

## **OTHER COMMENTS**

### **Human Resource/Personnel:**

Pension is not being withheld from a few individual's payroll checks.

The Borough did not collect the additional healthcare costs from its employees as required by the adoption of Chapter 78 of P.L. of 2011.

### **Other:**

A Cash Management Report was not submitted each month to the governing body which includes bank account activity, interest rates and earnings on the various accounts.

A Corrective Action Plan was not filed for the 2009 or 2010 audit.

### **Federal and State Grants:**

The ARRA – Public Works Grant reimbursement report #1 and #2 duplicated reporting \$665,957.60 of expenditures.

## **STATUS OF PRIOR RECOMMENDATIONS**

Corrective action has not been implemented for any of the following prior year findings.

## **FINDINGS AND RECOMMENDATIONS**

2011-1: Finding: The reimbursement reports for the ARRA – Public Works Grant was not reconciled to the Borough's accounting records.

Recommendation: The construction project expense log be reviewed prior to submitting for reimbursement for the ARRA – Public Works Grant to ensure expenditures are reported in the correct period.

\*2011-2: Finding: Pension is not being withheld from a few individual's payroll checks.

Recommendation: Pension be withheld from all required employee's payroll checks.

\*2011-3: Finding: A Cash Management Report was not submitted each month to the governing body which includes bank account activity, interest rates and earnings on the various accounts.

Recommendation: Cash Management Reports be prepared and submitted on a monthly basis to the governing body in compliance with N.J.S.A. 40A:5-15.

\*2011-4: Finding: A Corrective Action Plan was not filed for the 2009 or 2010 audit.

Recommendation: A Corrective Action Plan be completed and filed for the 2009 and 2010 audit.

\* These recommendations appeared in prior reports and corrective action was not taken.

\*\*\*\*\*

The problems and weaknesses noted in our review were not of such magnitude that they would affect our ability to express an opinion on the financial statements taken as a whole.

Should any question arise as to our comments and recommendations, or should you desire assistance in implementing our recommendations, please do not hesitate to call us.

We received the complete cooperation of all the officials of the Borough and we greatly appreciate the courtesies extended to the members of the audit team.

Respectfully submitted,

PETRONI & ASSOCIATES LLC



Nick L. Petroni  
Certified Public Accountant  
Registered Municipal Accountant #252